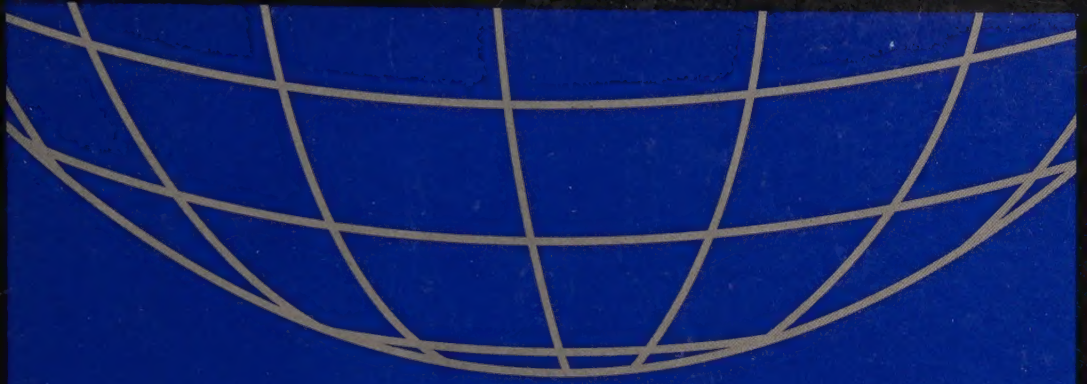

A Theory of Global Capitalism

Production, Class, and State in a Transnational World

William I. Robinson

A Theory of Global Capitalism

Themes in Global Social Change

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Production, Class, and State in a Transnational World

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Para Marielle,
Quien me hizo recorder
que el pan no vale sin rosas.

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Preface

There has been perhaps more debate—academic as well as political—on globalization than on any other topic in recent years. Given the welter of works that have appeared on the subject, what does the present study offer? As I have developed and disseminated my ideas on the subject in recent years they have attracted increasing international attention, but until the present undertaking, for the most part I have written for more specialized pockets in the social sciences. I have not had the opportunity to assemble my theories and ideas succinctly and in one place. In this book I hope to present in a manner accessible to the student of globalization and to concerned members of the lay public a particular theory of globalization, one based on the global capitalism approach.

I set out to accomplish three aims. The first was to summarize positions, analyses, and theoretical propositions that I have advanced in recent years with regard to globalization. My work on this topic has proved polemical and generated sharp debate. It is time to put forward a summary statement of that work. The second aim was to address two critical dimensions of globalization that have been relatively neglected: the rise of a transnational capitalist class and the rise of a transnational state. Discussion of these dimensions constitutes the core of the book. The third aim was to explore the contradictions that make the current course of globalization unstable and the possibilities of alternative futures for global society.

It became clear to me as I began to prepare the manuscript in the fall of 2002 that, taken as a whole, the varied claims and propositions I have made since I began to study globalization in the early 1990s have developed into a particular theory of globalization, one based on the idea that we are living in a new global system, a system of global capitalism. The global capitalism thesis competes with many other approaches to globalization. Yet even within what we could call the "global capitalism school" in globalization studies there are major differences and raging debates. This is why I call my approach *a* theory rather than *the* theory. There seem to be two extreme interpretations within the

school. In the first, globalized capital is seen as now running everything, a position that many have attached, rightly or otherwise, to Michael Hardt and Antonio Negri's bestselling book, *Empire* (2000). In the second interpretation it is a single state, the United States, that is seen as now running everything, a position well articulated by Peter Gowan in his 1999 book, *Global Gamble: Washington's Faustian Bid for World Dominance*. My approach has often been identified with one or the other of these positions, yet to identify my approach with either is to entirely disfigure my argument. My thesis on the new globalist stage of world capitalist does *not* claim that states and countries no longer matter or that the only form of capital is now global capital. This new stage is an unfolding process that should be seen as transitional rather than accomplished. We are in a historical moment of transition involving the often conflictive interpenetration of old and new forms. Like all historical processes, this transition is subject to contingency and to being pushed in new and unforeseen directions.

Communication is by definition a social act. I have strived to produce a work that is understandable to undergraduate and graduate students and accessible to informed members of the lay public and yet satisfying as well to more advanced scholars. I frequently explain working concepts rather than assuming that the reader is familiar with them. I also endeavor to "unpack" the more complex or abstract ideas and theoretical assertions by explaining them step by step and in contemporary and historic contexts. On the other hand, too much simplification runs the risk of distorting beyond recognition what are in fact complex theoretical arguments and controversial interpretations of current world dynamics, thus setting myself up to be misrepresented. (Having said this, I want to insist that a portion of the debate on globalization is tied to the stubborn defense of prevailing paradigms simply because of the stakes that individuals and groups have invested in these paradigms.) A few theoretical passages remain somewhat dense, especially in chapter three. I trust that the patient reader will be able to follow the central arguments and their logic and to benefit greatly from the perspective acquired even if he or she is unable to follow each and every aspect of the thesis or does not agree with everything.

But why struggle to grasp a theory of globalization? Why not just look at the facts, follow the headlines, or take to the streets? I recall struggling so hard when I first started studying social theory, political economy, philosophy, and world history. What I recall most, however, is not the frustration, of which there was

plenty, but just how *rewarding* the outcome was. "There is no royal road to science," wrote Karl Marx in the nineteenth century, "and only those who do not dread the fatiguing climb of its steep paths have a chance of gaining its luminous heights" (Marx 1978, 299). In this "brave new world" of global capitalism we need more than ever, I believe, the view we get from such "luminous heights." Theoretical understanding allows us to interpret a wide variety of phenomena and to weave these phenomena together into a "big picture" of social reality in its holistic unity.

Globalization is the underlying structural dynamic that drives social, political, economic, and cultural-ideological processes around the world in the twenty-first century and is therefore linked to our individual and group biographies. The ability to link our individual biographies to the great historical events and structural processes of our age is what the sociological imagination is all about. Global capitalism has generated new social dependencies around the world. Billions of people who may have been at the margins of the system or entirely outside of it have now been brought squarely within its confines. The maintenance of the system is very much a life-and-death matter for millions, indeed billions, of people who, willing or otherwise, have developed a stake in it. Indeed, global capitalism is hegemonic not just because its ideology has become dominant but also, and perhaps primarily, because it has the ability to provide material rewards and to impose sanctions. Any challenge to this hegemony must be predicated on a solid understanding of the system in which we live. Such an understanding is a precondition for the process of individual and collective *empowerment.*

The twenty-first-century world is a complex place in which change takes place so quickly that meaningful participation, indeed survival, requires that we grasp the essential dynamics of our times and gain an understanding of how this global society works. The theory laid out here offers a "macro-structural-historical" framework for understanding processes of social change and conflict, development, and politics in the twenty-first century (see Robinson 2002b). The most successful theories often focus on just one basic process that separates out and highlights underlying movement in the midst of simultaneous occurrences. I believe that my theory of global capitalism, involving three dimensions—transnational production, transnational capitalists, and the transnational state—allows us to interpret a vast variety of events and processes occurring today. My theories are generative theories and are intended to reveal

that things that appear to be disparate and complex are actually part of the same underlying process.

I am grateful to many people—too many to list here—who have contributed to the development of my ideas and have made it possible to bring this work to the light of day. Joy Hylton, Mark Rupert, and Boris Kagarlitsky read the entire manuscript and provided invaluable suggestions, as did anonymous reviewers and the Johns Hopkins University Press series editor, Christopher Chase-Dunn, who showed support for the project from its inception. My capable research assistant, Amandeep Sandhu, spent many hours helping me obtain the data and bibliographic material used in the study. Many thanks also to Joanne Allen, John Foran, Jerry Harris, Edwin Lopez, Marielle Mayorga, Peter McLaren, Craig Murphy, Kent Norsworthy, Casey Schmidt, Leslie Sklair, Hazel Smith, Henry Tom, Kees van der Pijl, Robert Went, and Carol Zimmerman. I wish to gratefully acknowledge the Office of Affirmative Action of the University of California, Santa Barbara, as well as the Council on Research and Instructional Resources of the university's academic senate, for funding portions of the research.

A Theory of Global Capitalism

CHAPTER ONE

Globalization as Epochal Change in World Capitalism

Who these days does not talk about *globalization?* The term originated in the corporate world in the 1960s in reference to the worldwide outlook and reach that many multinational corporations had by then begun to acquire. In the 1990s the term entered the public discourse and generated ardent controversy in academia. But the notion of globalization is problematic. A multitude of partial, divergent, and often contradictory claims surround the concept (Scholte 2000). Considering the political implications of these claims, it is clear that at the least globalization has become what we refer to as an *essentially contested concept.* That is, since there is no consensus on what the term refers to, there are competing definitions, each of which interprets social reality in a distinct way. Does globalization, for instance, refer to a process or to a condition? Is it a new phenomenon dating back to the closing decades of the twentieth century? Is it the culmination of centuries of spreading capitalism and modernity? Or has it been going on for thousands of years? Is the core of the process economic, political, or cultural? Is it best to see globalization as the continuation of earlier historical processes, as *quantitative* changes? Or should we see it as a discontinuity, as a *qualitative* change or an entirely new epoch?

As one can see, debate over the meaning of essentially contested concepts such as globalization goes beyond mere semantics. The contending battleground of such concepts is a leading edge of political conflict. Their meanings are closely related to the problems they seek to discuss and to the kind of social action people will engage in. Two questions with regard to globalization will bring home this point. First, are the changes associated with globalization helpful for most people in the world or are they harmful? And second, is the globalization process intractable (in which case we may as well "kick off our shoes" and accept the inevitable), or can it be altered? Scholars who study globalization do not agree on the answer to either of these questions. It is safe to say, however, that most social scientists would agree with the following two propo-

sitions: First, the pace of social change and transformation worldwide seems to have quickened dramatically in the latter decades of the twentieth century. Second, this social change is related to deepening connections between peoples and countries around the world, or what John Tomlinson (1999) has referred to as "complex connectivity."

The purpose of this book is not to explore the ins and outs of the globalization debate, on which an abundance of literature already exists (see, e.g., Scholte 2000). This book is concerned specifically with two underlying structural processes central to globalization: the emergence of a *transnational capitalist class* (TCC) and the rise of what I refer to as a *transnational state* (TNS). But before I set my focus on these phenomena, I need to sift through some key issues in the debate and lay out my own conception of globalization. I advance the *global capitalism* thesis or school, so called because I and others who have adopted this position believe that globalization represents a new stage in the evolving world capitalist system that came into being some five centuries ago; hence we speak of *capitalist* globalization (see, e.g., Hardt and Negri 2000; McMichael 1996; Robinson 1996a, 2001b, 2003b; Ross and Trachte 1990; Sklair 1999, 2002; and Went 2002). We believe that studying the nature and dynamics of the capitalist system, how it has evolved historically, and how it is changing currently will give us the key to understanding globalization. Stated in more academic terms, the global capitalism school believes that globalization can be explained largely by a methodologically prior, materialist theory of capitalism.

Chapters 2 and 3 address the themes of a TCC and a TNS, respectively. As a prelude and backdrop to those topics, I advance in this chapter my essential views on globalization, expressed in my theory on the transition from a *world economy* to a *global economy,* constituting an *epochal shift* (not a rupture or discontinuity per se) in the history of world capitalism.

The Epochs of Capitalism and Globalization as Systemic Change

Periodizing World Capitalism

In theoretical terms, globalization can essentially be seen as the near culmination of a centuries-long process of the spread of capitalist production around the world and its displacement of all precapitalist relations, bringing about a new form of connection between all human beings around the world. The very

constitution of human societies has, of course, always involved interconnections. But capitalism was the first form of society to incorporate all other types into a single social formation, giving rise to what world-system theory terms the "modern world system" (Wallerstein 1974). Capitalism began to develop as a new social system in Europe some five centuries ago as the old feudal order decayed and eventually disappeared. Unlike the earlier feudal system—and, for that matter, unlike other types of social systems the world has known—capitalism is by nature expansionary. In order to survive, capitalism requires constant access to new sources of cheap labor, land, raw materials (crops and minerals), and markets.

This imperative to expand led to a period of colonialism and imperialism involving the conquest and subjugation by European powers of other peoples and societies. Latin America was first conquered, colonized, and incorporated in this expanding world capitalist system between 1492 and the 1530s. In Africa this process began with the slave trade in the 1500s, and by the 1890s almost the entire continent had been formally annexed as European colonies. Asia suffered a similar fate from the 1500s into the twentieth century, as did the Middle East from the eighteenth to the twentieth century (Stavrianos 1981). This five-hundred-year process of colonization was extremely violent. Hundreds of millions of people lost their lives in colonial wars of conquest. Many races and ethnic groups literally disappeared from the face of the earth, exterminated. Entire societies were disrupted and turned upside down. In a famous passage on the bloody rise of world capitalism Karl Marx decried the process as one of "primitive accumulation," or the original conversion of precapitalist orders into capitalist ones:

> The primitive accumulation plays in Political Economy about the same part as original sin in theology. Adam bit the apple, and thereupon sin fell on the human race. The legend of theological original sin tells us certainly how man came to be condemned to eat his bread in the sweat of his brow; but the history of economic original sin reveals to us that there are people to whom this is by no means essential. And from the original sin dates the poverty of the great majority that, despite all its labor, has up to now nothing to sell but itself, and the wealth of the few that increases constantly although they have long ceased to work.
>
> In actual history, it is notorious that conquest, enslavement, robbery, murder, and force, play the great part. The methods of primitive accumulation are anything but idyllic. This history is written in the annals of mankind in letters of blood and fire. The dis-

> covery of gold and silver in America, the extirpation, enslavement and entombment in mines of the indigenous population of that continent, the beginnings of the conquest and plunder of India, and the conversion of Africa into a preserve for the commercial hunting of blackskins, are all things which characterize the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief momenta of primitive accumulation. On their heels treads [*sic*] the commercial wars of the European nations, with the globe for a theater. These methods depend in part on brute force, that is, on the colonial system. Force is the midwife of every old society pregnant with a new one. It is itself an economic power. If money, according to one Biblical passage, comes into the world with a congenital bloodstain on one cheek, capital comes dripping from head to foot, from every pore, with blood and dirt.

For some, this five-hundred-year process of capitalist expansion constitutes *the* definition of globalization, but in my view we can benefit from analytically distinguishing the current period of world capitalism from earlier ones. A periodization of history is an analytical tool used by social scientists to try to highlight the key changes that take place in societies over time. A periodization of capitalism allows us to identify key changes in this system since its inception five centuries ago. Globalization represents an *epochal shift;* that is, fundamental worldwide changes in social structure that modify and even transform the very functioning of the system in which we live. Globalization represents a new epoch in the history of world capitalism, the fourth such epoch. The first was ushered in with the emergence of capitalism from its feudal cocoon in Europe and its initial outward expansion, the so-called age of discovery and conquest, symbolized by Columbus's arrival in the Americas. This was the epoch of mercantilism and primitive accumulation, of what Marx referred to as the "rosy dawn of the era of capitalist production." The second epoch, of competitive, or classical, capitalism, was marked by the industrial revolution, the rise of the bourgeoisie, and the forging of the modern nation-state, highlighted by the French Revolution and the eighteenth-century manufacturing revolution in England. This epoch spanned what the British historian Eric Hobsbawm in his seminal historical works calls the ages of revolution, capital, and empire (1962, 1977, 1987). The third epoch in the history of world capitalism was the rise of corporate ("monopoly") capitalism, the consolidation of a single world market and the nation-state system into which world capitalism became organized. It saw the appearance of the financial industrial corporation, intensified wars among the imperial powers, and the emergence of a socialist alternative, the

"age of extremes," to quote the title of Hobsbawm's history of the twentieth century (1994). We can say that the first epoch ran from the symbolic dates of 1492 to 1789, the second to the late nineteenth century, and the third into the early 1970s.

Today we are in the early phases of the fourth epoch of capitalism—globalization—highlighted technologically by the microchip and the computer—symbols of the "information age"—and politically by the collapse of twentieth-century attempts at socialism and the failure of a whole generation of Third World national liberation movements to offer an alternative to world capitalism. The turbulent decades of the late twentieth century were, in the words of the political scientist John Ruggie (1993), an "epochal threshold." The 1970s were a decade of great economic turbulence, and most scholars agree that it was in that decade that a profound restructuring of world capitalism began (Castells 2000). Behind this turbulence was the transition from the nation-state phase of world capitalism, with its distinct institutional, organizational, political, and regulatory structures, to a transnational phase. This still emerging transnational phase of capitalism is qualitatively new.

But what are the essential features of this new epoch of capitalism? Earlier I observed that the dynamics of the capitalist system compel it to expand outward. Now we need to elaborate a bit on the nature and dynamics of this system. The essence of capitalism is production undertaken through a particular form of social interaction, what I will call the *capital-labor relation* (or *capitalist production relations*), in order to exchange what is produced, *commodities*, in a market for profit. For capitalist production to take place there needs to be a class of people who have no means of production of their own, such as land with which to farm or tools and workshops with which to produce for themselves. This is the *working class*. And there needs to be a class of people who have come into possession of these means of production and in turn require a supply of labor in order to work these means of production so that commodities can be produced and sold for a profit. This is the *capitalist class*. The capital-labor relation is the relationship between workers and capitalists as they come together in the process of producing goods that people want or need.

Of course people had come together to produce the necessities of life long before capitalism appeared; such production, the collective labor process, is in the very nature of our species. What distinguishes capitalism from other social systems, or *modes of production*, is that in the capitalist system human beings engage in the production process *in order to* exchange what is produced

for a profit, *and* this production takes place through the capital-labor relation. Human beings can engage in production in a cooperative and egalitarian manner, for example, through collective ownership of the means of production, what we could call a communal system. Or they can come together through the enslavement of one group of people by another, a slave system. In a feudal system, as in a slave system, one group of people (landlords) comes to control the means of production in the form of land, but production does not take place as commodity production, which is the production of things that people want or need expressly in order to exchange them on the market for a profit. Workers under capitalism are "free." Unlike the slave or the serf, they are not physically coerced into working for those who own the means of production. But because workers have no means of production of their own, they are forced, on pain of starvation, to provide their labor to capitalists in exchange for a wage with which to acquire the necessities of life on the market. The process by which people come to be separated from the means of production, such as through colonial conquest or the loss of land to creditors, is known as primitive accumulation. It creates the initial conditions for capitalist production to take place.

The Extensive and Intensive Enlargement of World Capitalism

How is all this related to globalization? Recall that I have defined globalization as the near culmination of a centuries-long process of the spread of capitalist production around the world and its displacement of all precapitalist relations. What I mean by this is that by the early twenty-first century the vast majority of peoples around the world had been integrated into the capitalist market and brought into capitalist production relations. No countries or regions remained outside of world capitalism, and there were no longer any pre- or noncapitalist modes of production on a significant scale. Capitalism expands by *commodifying* social relations, the process whereby capitalist production, or commodity production, replaces pre- or noncapitalist forms of production. Capitalism is expansionary in a double sense. First, commodification has constantly extended outward to areas that previously were outside the system of commodity production. This process is known as *extensive* enlargement. Second, commodification constantly deepens; human activities that previously were outside the logic of capitalist production are brought into this logic. For example, in public health and educational systems healthcare and education are provided not in order for capitalist investors to make a profit but in order to meet people's health and educational needs. But when these systems are pri-

vatized, that is, when they are turned over to private capitalist investors, who then "own" them, the provision of health and education is undertaken in order to generate profits for these investors. If one can pay for healthcare or education—purchase it on the market—then these things are provided; otherwise they are not accessible. Thus, healthcare and education become commodities. The penetration by commodity relations of spheres of social life that were formally outside the logic of profit making is known as *intensive* enlargement.

In the history of world capitalism commodification has both constantly deepened (intensive expansion) and constantly extended outward around the world (extensive expansion). Globalization denotes the near culmination of the centuries-long process of capitalism's extensive enlargement. The final stage of this extensive enlargement began with the wave of colonization of the late nineteenth and early twentieth centuries that formally colonized vast stretches of Africa and Asia and concluded with the (re)incorporation of the former Soviet-bloc and Third World revolutionary states in the early 1990s. Under globalization, the system of world capitalism is undergoing a dramatic intensive expansion. Capitalist production relations are replacing what remains of precapitalist relations around the globe. The era of the primitive accumulation of capital is coming to an end. Those cultural and political institutions that fettered capitalism are being swept aside, paving the way for the total commodification, or *marketization,* of social life worldwide. Nonmarket spheres of human activity—public spheres managed by states and private spheres linked to community and family—are being broken up, commodified, and transferred to capital. Hence, capitalism began a dramatic new expansion in the late twentieth century, intensive rather than extensive. Because globalization does not involve the earlier geographical expansions, such as new territorial conquest, this enlargement of capitalism is not as visible. Capitalist exchange relations, with the deepening rather than the enlarging of the system's domain, are invading and commodifying all those public and private spheres that previously remained outside its reach. We will see the significance of these observations later in this chapter and in subsequent chapters.

The spread of capitalist production relations accelerated beginning in the 1960s as a result of the breakup of the old colonial system and its distinct colonial modes of labor control and property relations, the dramatic rise in direct multinational corporate investment, an ongoing transfer of labor-intensive phases of international production to poor countries (the "runaway factory" phenomenon), the incursion of market relations into the Third World coun-

tryside, and so on. This spread featured a much more fluid movement of capital around the world and its penetration into the most far-flung regions. Intrinsic to this penetration was the creation of the capital-labor relation (i.e., capitalist production relations). As capitalist production relations penetrated precapitalist reserves in dramatic fashion, they broke up precapitalist communities and commodified economic activity. This resulted in rapid class restructuring, including the accelerated *proletarianization* of peasant communities, the process by which peasants lose access to land and become workers, and the creation of new rural and urban working classes. These new working-class masses worldwide are brought into direct capitalist relations at the moment of globalization. As David Harvey states, "The outer limits of this process [the subjugation of labor to capital] lies at the point where every person in every nook and cranny of the world is caught within the orbit of capital" (1989, 415).

If I am asserting that globalization is a new epoch in the history of capitalism characterized by the incorporation of all countries and peoples into the system, the reader may ask whether my analysis is not the same as that of world-system theory. In fact, world-system theory has long noted the worldwide spread of the capitalist system, that nation-states are part of a larger unit (the capitalist world system) and that national development is conditioned by—indeed, some world-system theory suggests that it is determined by—the larger world system (Chase-Dunn 1998). I do not disagree with these propositions. My theoretical propositions on globalization, however, differ from world-system theory on several crucial counts. The difference I want to highlight for the moment is that world-system theory applies a different definition of capitalism than I do. While most world-system theorists follow the German sociologist Max Weber in this regard, I apply Marx's definition. Weber saw capitalism as a market, or *exchange,* relation, whereas Marx, as noted above, defined it as a *production* relation. Why is this distinction important? In the Weberian definition, any production undertaken in order to exchange on the market for a profit is capitalist. By this definition, if slaves or serfs grow a crop that the lord or slaver markets, this constitutes capitalism. And accordingly, the "modern world system" has always been "capitalist," since production was undertaken to sell on the market for a profit. Those who follow Marx's definition of capitalism as essentially a production relation argue that a broader capitalist world economy "articulated" for much of the modern period diverse modes of production under the hegemony of the capitalist mode (Foster-Carter 1978). Thus, slavery in the Americas was not a capitalist mode but a slave mode, articulated in turn

to a larger world capitalist system. And until the latter decades of the twentieth century a good portion of the countryside in Latin America was feudal in character even though a portion of agricultural output was sold on the capitalist world market. Furthermore, industry in Communist China and the former Soviet Union used to be organized through a noncapitalist statist system. This distinction is not mere semantics and is relevant to the discussion of globalization. The former position implies that globalization can only be a *quantitative* intensification of a five-hundred-year-old process, whereas the latter allows for quantitative change to give way under globalization to *qualitative* change, with important implications for macrosocial analysis. By definition the world-system approach cannot conceive of globalization in the way I posit but must be content to emphasize that it is a quantitative intensification of connections and systemic exchanges. The importance of these issues will become clear as I elaborate on my conception of globalization, in particular my theory on the transition from a *world* to a *global* economy.

From a World Economy to a Global Economy

Globalization represents a new, transnational phase in the development of the world capitalist system. A defining feature of the globalization epoch is *the rise of transnational capital.* The latter decades of the twentieth century saw new scientific and technological revolutions, particularly the communications and information revolution, but also revolutions in transportation, marketing, management, automation, robotization, and so on. These new technologies were "globalizing" in the sense that they allowed capital to "go global." New patterns of accumulation opened up by globalizing technologies both require and make possible economies of scale that are truly global and require a more generalized commodification of the world economy. Moreover, capitalists have come to achieve a newfound global mobility in a double sense, in that the material *and* the political obstacles to freely moving their capital around the world have decreased dramatically. In this process capital has become increasingly transnational.

The rise of transnational capital is the basis for economic globalization. In turn, economic globalization brings with it the material basis for the emergence of a single global society marked by transnational political and cultural processes and the global integration of social life. Most social scientists agree that globalization is a multidimensional process involving complex changes at

many different levels, including economic, political, and cultural levels. There is much less agreement on how to order these dimensions or whether there is an underlying determinacy. Sociologists such as Malcolm Waters (1995) and Roland Robertson (1992) ultimately see ideas as the driving force in globalization. Martin Shaw (2000) claims that political-military factors (state formation) exercise underlying causality. Others, such as John Tomlinson (1999), argue that there is no underlying determination. In contrast, my conception of globalization, broadly consistent with the global capitalism school, sees the rise of a *global economy* as structurally determinant.

What do I mean by *global economy?* I argue that in the new, transnational phase of the capitalist system we are moving from a *world economy* to a *global economy.* In earlier epochs each country developed a national economy, and the national economies were linked to one another through trade and finances in an integrated international market. I consider this type of world socioeconomic structure a *world* economy. Different national economies and modes of production were "articulated" within a broader social formation, or a world system. Nation-states mediated the boundaries between a world of different national economies and articulated modes of production.[1] Stated in more theoretical terms, each country developed national circuits of accumulation that were linked externally to other such national circuits through commodity exchanges and capital flows. But what we have seen in the current epoch is the increasing globalization of the production process itself. Global capital mobility has allowed capital to reorganize production worldwide in accordance with a whole range of considerations that allow for maximizing profit-making opportunities. In this process, national production systems have become fragmented and integrated externally into new globalized circuits of accumulation. To take the example of the world auto industry, in the previous epoch auto companies in the United States produced cars from beginning to end and then exported them to other countries. Japanese and European auto companies did the same in Japan and Europe. But by the late twentieth century the process of producing a car had become decentralized and fragmented, with numerous different phases of production dispersed around the world. Individual parts are often manufactured in many different countries, assembly may occur in several

[1]This approach to studying world capitalism is implicit in the argument of the sociologist Immanuel Wallerstein, the best known exponent of world-system theory, for whom the determinant distinction between the core, the semiperiphery, and the periphery of the world system lies in the form of labor control (e.g., peasant or serf labor in one region, slave labor in another, wage labor elsewhere still) (1974).

countries, and management may be coordinated from a central computer terminal unconnected to actual production sites. By the 1990s the world auto industry had become, in the words of one researcher, a "transnational spider's web . . . stretch[ing] across the globe" (Dicken 1998, 32). Auto production processes have become so transnationalized that the final products can no longer be considered "national" products in any meaningful way.

In the emerging global economy this globalization of the production process breaks down and functionally integrates what were previously *national* circuits into new *global* circuits of accumulation. The determining distinction between a world economy and a global economy is the globalization of the production process itself, or the rise of globalized circuits of production and accumulation (see Figs. 1.1 and 1.2).[2] The emergence of globally mobile transnational capital from the 1970s on has allowed for the decentralization and functional integration around the world of vast chains of production and distribution, the instantaneous movement of values. Yet, as we shall see, the flip side of this unprecedented fragmentation and decentralization of production processes has been the unprecedented concentration and centralization of worldwide economic management, control, and decision-making power in transnational capital and its agents.

The distinction between a world economy and a global economy is crucial.[3] Although no one doubts that economic globalization is taking place, debate has raged over whether the phenomenon represents something qualitatively new or simply a quantitative extension of historical patterns. One influential school of thought in recent studies of the world economy has argued that economic globalization is overstated or even illusory, claiming that the current period is merely a quantitative intensification of historical tendencies, not a qualitatively new epoch (Boyer and Drache 1996; Glyn and Sutcliff 1992; Gordon 1988; Hirst

[2]The works on the global economy are voluminous. On the globalization of production, which is of most concern here, see, e.g., Burbach and Robinson 1999; Dicken 1998; Howells and Wood 1993; and UNCTAD 1990–2002, *World Investment Report*.

[3]My proposition on the transition from a world to a global economy is along the lines of, but not identical to, Leslie Sklair's distinction (2002) between a "purely national economy" serving an exclusively sovereign state-market that employs only local co-nationals, whose products and services comprise only domestic parts, components, and materials. An "international economy" would be made up of purely national economies, with pairs of countries exporting and importing goods and services between themselves. A "global economy" is not based on interacting national economies but on "a variety of economic entities that were not national economies, like firms of various types whose aggregate business was not satisfactorily described in terms of a single national economy," and in which "the key units did not in any meaningful sense express the national interest" (22).

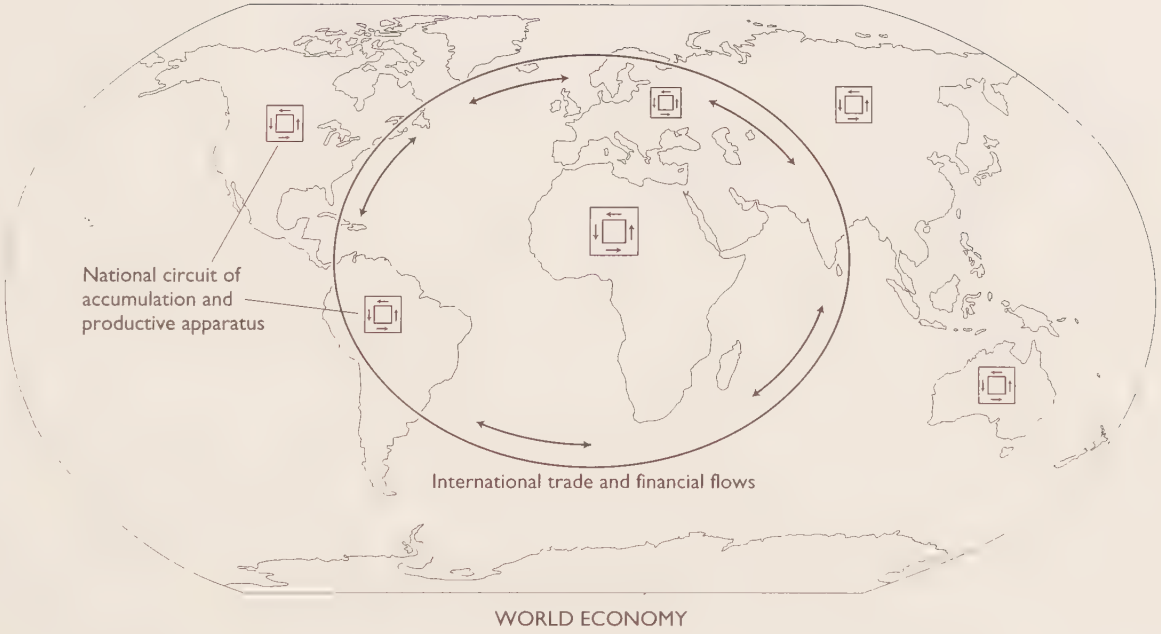

Fig. 1.1. The World Economy: International Trade and Financial Flows in an Integrated International Market.
The boxes containing arrows shown on each continent indicate national and regional productive apparatuses and accumulation circuits. The oval containing arrows shows how these national and regional circuits are connected by international trade and financial flows, forming an integrated international market. This was the structure of the *world economy.*

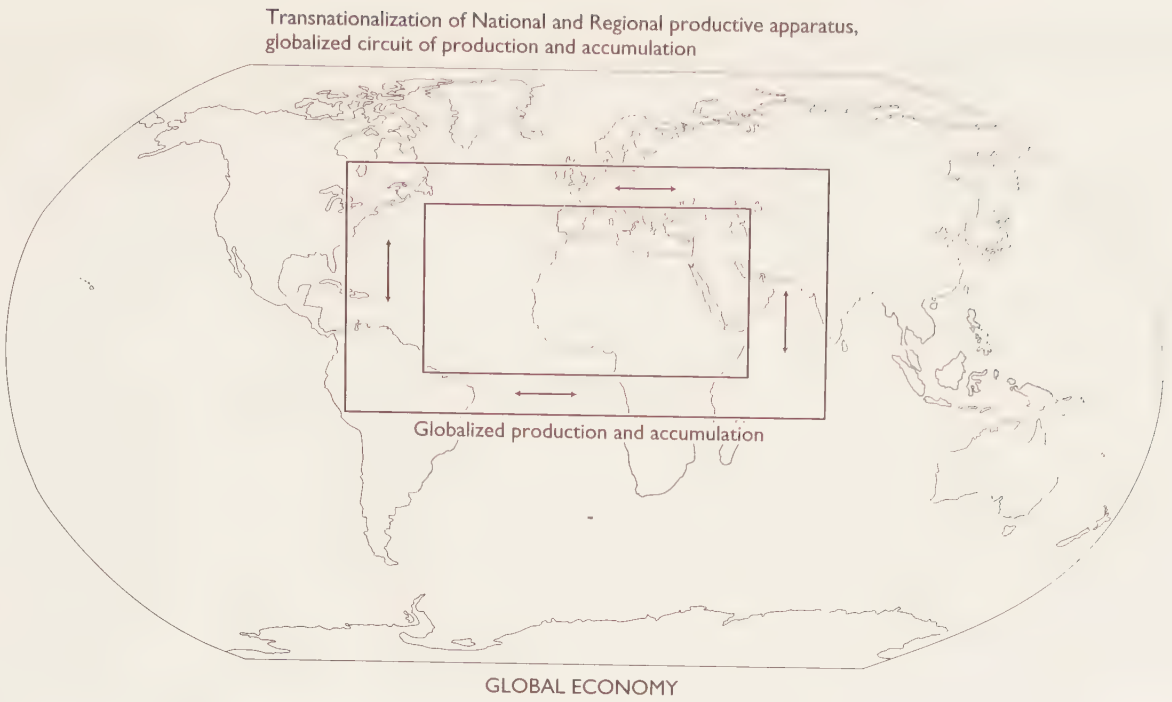
Transnationalization of National and Regional productive apparatus,
globalized circuit of production and accumulation
Globalized production and accumulation
GLOBAL ECONOMY

Fig. 1.2. The Global Economy: Transnationalization of National and Regional Productive Apparatuses, Globalized Circuit of Production and Accumulation in a Single Global Market.

The box containing two-way arrows spanning the globe indicates the transnationalization of national and regional productive apparatuses and accumulation circuits, so that there is an emerging globalized circuit of production and accumulation and a single global market. This is the still-emerging structure of the *global economy.*

and Thompson 1996; Kapstein 1994; Weiss 1998; Wood 1999). But the argument of the skeptics fails to distinguish between the extension of trade and financial flows across national borders, which in my conception represents *internationalization*, and the globalization of the production process itself, which represents *transnationalization* (Dicken 1998; Sklair 2002). Internationalization involves the simple extension of economic activities across national boundaries and is essentially a *quantitative* process that leads to a more extensive geographical pattern of economic activity, whereas transnationalization differs *qualitatively* from internationalization processes, involving not merely the geographical extension of economic activity across national boundaries but also the *functional integration* of such internationally dispersed activities. The global economy, as Castells (2000) has noted, is able to work as a single unit in real time, making possible simultaneity and therefore real organic integration.

The skeptics point to the high degree of world trade integration in the period prior to World War I (see, e.g., Hirst and Thompson 1996; and Ruigrok and van Tulder 1995). Indeed, at that time the world economy was at least as integrated economically as it was at the end of the twentieth century. But the skeptics fail to note what is qualitatively new. The pre-1913 integration was through "arm's-length" *trade* in goods and services between nationally based production systems and through cross-border financial flows in the form of portfolio capital. In that period national capitalist classes organized national production and service chains and produced commodities within their own borders that they then traded for commodities produced in other countries. This is what Peter Dicken, in his study on the global economy, *Global Shift*, calls "shallow integration." It is in contrast to the "deep integration" taking place under globalization, which involves the transnationalization of the *production* of goods and services (1998, 5). Unlike today, in the earlier period of shallow integration countries could respond to economic and political crises in the international system by withdrawing to more autarchic national economies.

Moreover, the current period is very different from the period before 1914 in that large parts of the world did not participate in the pre-1914 world economy, whereas the entire world is now integrated. The late twentieth century was quite different in *quantitative* terms from the previous capitalist world economy, including the late nineteenth and early twentieth centuries. A 1997 report by the Organization for Economic Cooperation and Development (OECD) noted the following six differences by the end of the twentieth century: (1) the ratio of trade to world gross domestic product (GDP) had surpassed its previous 1929

peak; (2) the scale of capital flows had reached unprecedented levels; (3) communication, information, and transportation technologies had allowed for a major restructuring and decentralization of production structures; (4) transnational corporations (TNCs) had achieved a truly global presence, and the number of countries with "homegrown" transnationals had significantly increased (see chapter 2); (5) there was a great deal more temporary (as opposed to permanent) and fluid movement of the transnational labor force; and (6) globalization had increasingly engulfed the whole world (OECD 1997, 29–30). A seventh difference we could add is that world financial flows now take place through an integrated global financial system and not through the national bank-dominated financial systems of the earlier period, which have all but disappeared.

But I want to emphasize here the *qualitative* differences between the world in the early twentieth century and the world in the early twenty-first century. The globalization of production has entailed the fragmentation and decentralization of complex production chains and the worldwide dispersal and functional integration of the different segments in these chains. Yet this worldwide decentralization and fragmentation of the production process has taken place together with the *centralization* of command and control of the global economy in transnational capital. In this way globalization is unifying the world into a single mode of production and a single global system and bringing about the integration of different countries and regions into a new global economy.

Here we can use Marx's scheme for capitalist production, the circuit of capital, to illustrate the point. This circuit is represented by the following formula M-C-P-C'-M', in which M = money, C = commodities, P = production, C' = new commodities, and M' = a greater amount of money than was present when the circuit began, representing accumulation, or the recovery of the initial investment plus profits through the generation of new value (Harvey 1982). In the earlier period of "shallow integration," the first part of this circuit, M-C-P-C', took place in national economies. Commodities were sold on the international market, and profits returned home, where the cycle was repeated. Under globalization, P is increasingly globally decentralized, and so too is the entire first part of the circuit, M-C-P. Globally produced goods and services are marketed worldwide. Profits are dispersed worldwide through the global financial system that has emerged since the 1980s, which is qualitatively different from the international financial flows of the earlier period. In his works on the internationalization of capital, the French political economist Christian Palloix has

suggested a clear historical sequence: the circuit of commodity capital was the first circuit to become internationalized in the form of world trade; the circuit of money capital was second, in the form of the flow of portfolio investment capital into overseas ventures; the circuit of productive capital is the most recent, in the form of the massive growth of TNCs in the post–World War II period (Palloix 1975, 1977). This transnationalization of production has expanded dramatically since Palloix wrote in the late 1970s, involving not only the spread of transnational corporate activities but also the restructuring, fragmentation, and worldwide decentralization of the production process.

Global capitalism is therefore not a collection of "national" economies, if by that is meant autonomous entities related through external exchanges with other such entities. Rather, this emerging new stage in world capitalism points to a supersession through transnational integration of "national" economies. Fundamentally, there has been a progressive dismantling of autonomous, or "autocentric," national production systems and their reactivation as constituent elements of an integral world production system. Until recently, according to Dicken, "in terms of production, plan, firm and industry were essentially national phenomena," but during the past few decades "trade flows have become far more complex . . . transformed into a highly complex, kaleidoscopic structure involving the *fragmentation* of many production processes and their *geographic relocation* on a global scale in ways which slice through national boundaries" (1998, 2).

Global Production Chains and Flexible Accumulation

The global economy has been made possible at the technical level not only by new globalizing technologies but also by new forms of capitalist economic organization and association, aptly captured by Manuel Castell's phrase "network society" (2000). Although real power and control still remain rigidly hierarchal and has actually become more concentrated under globalization, the actual organizational form of economic activity is increasingly characterized by decentralized webs of horizontally interwoven networks rather than by the old, centralized hierarchies based on vertical integration. The diverse new economic arrangements in the global economy have been associated with the transition from what is known as the Fordist regime of accumulation, prevailing for much of the twentieth century, associated with a large number of easily organizable workers in centralized production locations and fixed, standardized production processes, to new, post-Fordist *flexible* regimes (see, e.g., Amin 1994;

Cox 1987; Dicken 1998; Frobel, Heinrichs, and Kreye 1980; Harvey 1989; Hoogvelt 1997; Lash and Urry 1987; and Lipietz 1987). The earlier regime was known as the "Fordist" regime because it became generalized following the lead of the automobile tycoon Henry Ford. Ford argued that capitalists and governments should stabilize the national industrial capitalist systems that had emerged in the previous century by incorporating workers into the new society through higher salaries and benefits, coupled with tight control and regimentation of the work force. While Ford himself was a bitterly antiunion industrial tyrant (as well as an anti-Semite and an unabashed admirer of the Nazis), his initial shop-floor changes grew into Fordism as a "class compromise" between workers and capitalists mediated by the state, involving government measures to regulate capitalist competition and the class struggle (Rupert 1995). In the next chapter I discuss how globalization has tended to undermine this "Fordist" arrangement. For now I want to focus on the new, post-Fordist flexible regime that is replacing Fordism.

The reorganization of world production has taken place through new, flexible-accumulation models that involve two distinct dimensions: new technologies, as noted above, and organizational innovations. New globalizing, or "third wave," technologies are based on the revolution in information technology, or the convergence of computerization and telecommunications and the emergence of the Internet, and include new transportation technologies such as containerization, intermodal transport, and refrigeration, robotization and other forms of automation, computer-aided design and computer-aided manufacturing (CAD/CAM), and so on. Novel organizational forms include, among others, new management techniques, vertical disintegration, "just-in-time" and small-batch production, subcontracting and outsourcing, and formal and informal transnational business alliances. These innovations make possible new subdivisions and specializations in production. Different phases of production become broken down into component phases that are detachable and can be dispersed around the world.

Subcontracting and outsourcing, for instance, have become extremely widespread, basic organizational features of economic activity worldwide. In the earlier epochs of capitalism firms tended to organize entire sequences of economic production, distribution, and service from within. To use again the example of the auto industry, the Ford Motor Company set up its own components: engine, transmission, and body factories and other supply operations, engineering and design procedures, and so on. The process of producing a car was ver-

tically integrated and housed within the firm. Under flexible-production models many, indeed most, of these activities are contracted out to other firms that specialize in one or another activity. The second firm becomes a supplier subcontracted by the first and can also be subcontracted by other firms. In turn, the subcontracting firm often subcontracts yet another firm, or individual subcontractors, for specific jobs. In this way the old, vertical hierarchy becomes a horizontal network. Accounting services, design, advertising, financing, marketing, individual production operations, and so forth, are now extensively subcontracted rather than organized inside the typical TNC. The *maquiladora*, or offshore, factories that are the epitome of the "global assembly line" are based on this type of subcontracting network. Ford, to take but one example, subcontracts numerous operations to companies in Mexico. These companies may be groups of investors from the United States, from Mexico, or from third countries. In turn, these subcontracted companies subcontract local Mexican or other transnational firms for further subsidiary operations (Dicken 1998, chap. 10). *Business Week* cites the case of Lewis Galoob Toys, a veritable "virtual company":

> A mere 115 employees run the entire operation. Independent inventors and entertainment companies dream up most of Galoob's products, while outside specialists do most of the design and engineering. Galoob farms out manufacturing and packaging to a dozen or so contractors in Hong Kong, and they, in turn, pass on the most labor-intensive work to factories in China. When the toys land in the US, they're distributed by commissioned manufacturers' representatives. Galoob doesn't even collect its accounts. It sells its receivables to Commercial l Credit Coop., a factoring company that also sets Galoob's credit policy. In short, says Executive Vice President Robert Galoob, "our business is one of relationships." Galoob and his brother, David, the company's president, spend their time making all the pieces of the toy company fit together, with their phones, facsimile machines, and telexes working overtime. (*Business Week*, 3 March 1986, 61, quoted in Dicken 1998, 235)

As the phenomenon of subcontracting and outsourcing spread in the 1970s through the 1990s, it was concentrated at first in low-skills, labor-intensive industries such as textiles and apparel, toys and electronics. But by the late 1990s the move to "offshore production" had spread to such advanced economic activities as the production of semiconductors, aerospace manufacturing, and network computing. From 1996 to 2000 outsourcing by U.S.-based firms more than tripled, from an expenditure of $100 billion to one of $345 billion a year, and included the decentralized worldwide relocation of such jobs as telephone

operators, graphic designers, accountants, computer programmers, and engineers (Iritani 2002, A18).

The horizontal network structure that characterizes flexible accumulation is not restricted to the corporate world and has become the norm in many, perhaps most, formal bureaucratic structures. Many U.S. government agencies, public universities, and so forth, for instance, subcontract services ranging from food provision to accounting, personnel, payroll, and training.

At the core of flexible accumulation is a new capital-labor relation. Under this relation labor itself becomes "flexible." Workers in the global economy are increasingly treated as a subcontracted component rather than a fixture internal to employer organizations. The restructuring of the labor process associated with post-Fordist flexible accumulation, what some have referred to as the global casualization or informalization of labor, involves alternative systems of labor control and diverse contingent categories of labor, a theme to which I return in the next two chapters. Suffice it to point out here that globalization has brought about a change in power relations worldwide between capital and labor. The newfound relative power of global capital over global labor is becoming fixed in a new global capital-labor relation.

The rise of the global economy has been founded on the phenomenal spread since the late 1970s of these diverse new economic arrangements. To outsourcing, subcontracting, and the other innovative organizational forms mentioned above we can add transnational intercorporate alliances, licensing agreements, local representation, and so on. These arrangements have resulted in the creation of vast transnational production chains and complex webs of vertical and horizontal integration patterns across the globe. The TNCs that drive the global economy are, according to Dicken, "also locked into *external* networks of relationships with a myriad of other firms: transnational and domestic, large and small, public and private" (1998, 223). It is through such interconnections that small local firms and economic agents in one country may be directly linked to a global production network, even when such firms or agents serve only a very restricted geographical area. Such interrelationships between economic agents and firms of different sizes and types "increasingly span national boundaries to create a set of *geographically nested relationships from local to global scales*. . . . There is, in fact, a bewildering variety of interorganizational *collaborative* relationships. These are frequently multilateral rather than bilateral, polygamous rather than monogamous" (Dicken 1998, 223). The vast multilayered networks of outsourcing, subcontracting, collaboration, and so on, that increasingly link

local and national agents to global networks and structures is downplayed or overlooked entirely by those who only examine official data on TNC employment and output to argue that much of the world economy is still local or international rather than global.

Global production and service chains, or what sociologists have alternatively referred to as global commodity chains (Gereffi and Korzeniewicz 1994), then, is a key concept in the study of globalization. These chains link sequences of economic activities in which each stage adds some value or plays some role in the production and distribution of goods and services worldwide. Transnational capital, as organized into the giant TNCs, coordinates these vast chains, incorporating numerous agents and social groups into complex global networks. What this underscores is the increasing interpenetration on multiple levels of capital in all parts of the world, organized around transnational capital and the giant TNCs. It is increasingly difficult to separate local circuits of production and distribution from the globalized circuits that dictate the terms and patterns of accumulation worldwide, even when surface appearance gives the (misleading) impression that local capitals retain their autonomy. Of course, there are still local and national capitalists, and there will be for a long time to come. But they must delocalize and link to transnational capital if they are to survive. Territorially restricted capital cannot compete with its transnationally mobile counterpart. In any part of the world capitalists beyond the smallest of scale find that they must "globalize or perish," to paraphrase the well-known academic slogan. As the global circuit of capital subsumes these local circuits through numerous mechanisms and arrangements, local capitalists who manage these circuits become swept up in the process of transnational class formation, as I discuss in the next chapter.

With the rise of transnational production chains and circuits of accumulation, transnationally oriented capitalists in each country shift their sights from national markets to global markets. The structural properties of these chains or networks are *global,* in that accumulation is embedded in *global* markets and involves *global* enterprise organization and sets of *global* capital-labor relations, especially deregulated and casualized labor pools worldwide. Competition dictates that firms must establish global as opposed to national or regional markets. As I discuss in more detail later, transnationally oriented capitalists promote a switch from *inward-oriented development,* or accumulation around national markets, such as the import-substitution-industrialization (ISI) models that predominated in many Third World regions in the mid-twentieth cen-

tury, to *outward-oriented development*, involving export-promotion strategies and a deeper integration of national economies into the global economy. This switch involves the emergence of new economic activities and structures of production in each country and region integrating into the global economy (Robinson 1998–99, 2001c, 2003b). These new activities generally imply local participation in globalized circuits of accumulation or in global production and service chains, such as *maquiladora* assembly operations, transnational banking services, tourism and leisure, and so forth. It is worth reiterating that the segmentation and decentralization across the globe of production processes takes place simultaneously with the concentration of ownership and control over global resources and the means of production and the global centralization of management of global production in the hands of transnational corporate capital. *Transnational capital has become the dominant, or hegemonic, fraction of capital on a world scale.*

Despite the importance of technology and organizational innovation, globalization is not driven by a technological determinism, as technology is not causal to social change but a dependent variable. In other words, capitalists (and governments) have turned to inventing and applying new technologies in response to something else going on in society that engenders technological development. The dynamic of economic globalization, including the development of innovative new "globalizing" technologies, has been caused by the drive, built into capitalism itself by competition and class struggle, to maximize profits by reducing labor and other "factor" costs. Competition drives each capitalist enterprise to increase profits by developing new technologies and methods of production that can lower costs. To understand how competition and class struggle in the twentieth century produced a globalizing impulse, we turn to historical analysis. A study of globalization is fundamentally *historical* in that events or social conditions can be conceived in terms of previous social processes and conditions that gave rise to them. The world capitalist crisis that began in the 1970s and is generally identified as the turning point for globalization followed a lengthy period of worldwide class struggle, from the 1890s to the 1970s. This crisis ushered in a new period of restructuring in the capitalist system and led to the search for new modes of accumulation and to globalization as an accumulation strategy among capitalist groups. *Globalization* refers not to a static condition or to a complete project but to a process characterized by relatively novel articulations of social power that were not available in earlier historic periods. The increasingly total mobility achieved by capital has

allowed it to search out the most favorable conditions for different phases of globalized production, including the cheapest labor, the most favorable institutional environment (e.g., low taxes) and regulatory conditions (e.g., lax environmental and labor laws), a stable social environment, and so on.

As I elaborate on these themes in subsequent chapters the reader will see the importance of this newfound ability of capitalists to move their capital around the globe in search of the most advantageous sites for profit making (cheap labor, low taxes, lax regulations, etc.) as we attempt to understand the diverse social and political dynamics of globalization. For now, I merely want to reiterate the central observation: capital has achieved a newfound global mobility. This global mobility is associated with a reorganization of political and institutional arrangements and is central to transnational class relations and state formation.

Transnationalization of the Economy: Some Empirical Reference Points

While many detractors of globalization focus on global trade and therefore the *market,* I believe that the process of globalization is driven by the transnationalization of *production* and productive systems and of capital ownership, which in turn leads to the rise of a transnationalized bourgeoisie, which sits at the apex of the global order (Robinson, 1996a, 1996b). While analyses of world trade are very important, we need to focus on the production relations that underpin market relations and the social forces that drive production relations in order to identify what is qualitatively new in the current epoch.

Foreign Direct Investment

A critical component in the rise of transnational capital is the dramatic increase in foreign direct investment (FDI), the relocation of investors' capital as productive investments in one or more other countries, among the nations of the world since the 1960s. By definition FDI transnationalizes production. Perhaps the single most comprehensive indicator of the growth of transnational production is the global stock of FDI (see Fig. 1.3), which was valued at nearly $1.3 trillion in 2000. While I am taking FDI here as a proxy for transnational production, this in fact understates the extent of the phenomenon because much transnational production can take place without FDI. For example, local branches of TNCs can rely on local sources of funding. Similarly, TNCs can and

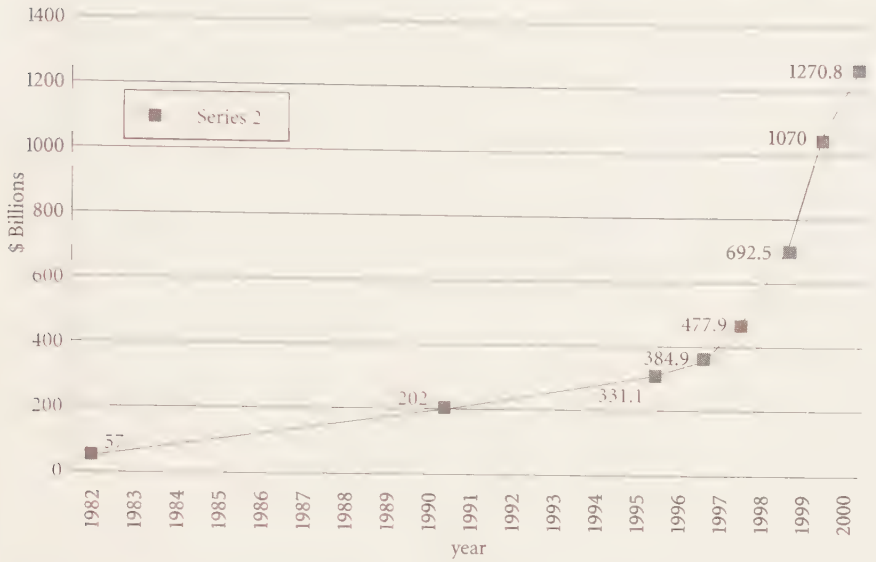

Fig. 1.3. Worldwide FDI Inflows, 1982–2000 (1998 dollars).

Source: Adapted from UNCTAD 1983–2001, *World Investment Report.*

do outsource and subcontract on a massive scale worldwide, but this activity is not registered as FDI even though it represents one aspect of transnational production chains. Transnational production is therefore considerably greater than FDI alone.

FDI, therefore, "continues to expand rapidly, enlarging the role of international production in the world economy," according to the 2001 *World Investment Report* of the United Nations Conference on Trade and Development (UNCTAD). FDI grew by 18 percent in 2000, "faster than other economic aggregates like world production, capital formation and trade, reaching a record $1.3 trillion" (1). Trade and FDI are in many respects the most important mechanisms of globalization and transnational integration, generating both immediate and long-term effects on each country and region and on the nature of relations between countries and regions. As Figure 1.3 shows, FDI inflows grew from $57 billion in 1982 to $202 billion in 1990, $331 billion in 1995, $477.9 billion in 1997, $1.07 trillion in 1999, and then $1.27 trillion in 2000.

While this absolute increase in FDI is in itself noteworthy (the *y*-axis becomes nearly vertical in Fig. 1.3), more important are the rate of growth of FDI and the rate of growth of FDI relative to the rate of growth of other indica-

tors, such as world production or fixed capital formation. If FDI grew at the same rate as production or fixed capital formation, its increase would not necessarily indicate heightened transnationalization (national production could be growing at the same rate as transnational production). But in fact FDI has grown much faster than any other indicator. As table 1.1 shows, from 1986 to 2000, except in 1998 and 1999, world exports grew faster than world production, which by itself is a significant indicator of transnationalization. However, what is most notable about the data presented in the table is just how much the growth of FDI inflows and outflows has outpaced that of world production. The growth in FDI was nearly double that of fixed capital formation in 1986–90, triple in the first half of the 1990s, and about one hundred times greater during several years in the second half of that decade. Table 1.1 underscores that an increasing proportion of world production and commerce is transnational rather than national.

The flow of FDI in recent years has played a critical role in integrating different regions into the global economy. FDI is still concentrated in the developed-country triad of North America, Europe, and Japan, which absorbed approximately $1 trillion in FDI in 2000 (UNCTAD 2001, *World Investment Report*, 3), accelerating the transnationalization process in all three regions. Throughout the 1990s, for instance, FDI inflows into the United States steadily increased, from $30 billion in 1991 to $57 billion in 1995 and $201 billion in 1998, for a total of $521 billion in 1991–98 (Kang and Johansson 2000, 17), compared with just over $270 billion in FDI flows going to developing countries in that period. But even at that, a "comparison of the world maps of inward and outward FDI in 2000 and 1985 reveals that FDI reaches many more countries in substantial manner than in the past," UNCTAD reported.

> More than 50 countries (24 of which are developing countries) have an inward stock of more than $10 billion, compared with only 17 countries 15 years ago (7 of them developing countries). The picture for outward FDI is similar: the number of countries with stocks exceeding $10 billion rose from 10 to 33 (now including 12 developing countries, compared to 8 in 1985) over the same period. In terms of flows, the number of countries receiving an annual average of more than $1 billion rose from 17 (6 of which were developing countries) in the mid-1980s to 51 (23 of which were developing countries) at the end of the 1990s. In the case of outflows, 33 countries (11 developing countries) invested more than $1 billion at the end of the 1990s, compared to 13 countries (only one developing country) in the mid-1980s. (UNCTAD 2001, *World Economic Situation*, 4)

Table 1.1. Select Annual Growth Rates for FDI, World Trade, and World Production, 1986–2000

	1986–1990	1991–1995	1996–1999	1998	1999	2000
FDI inflows	23.0%	20.8%	40.8%	44.9%	55.2%	18.2%
FDI outflows	26.2	16.3	37.0	52.8	41.3	14.3
World exports	15.4	8.6	1.9	–1.5	3.9	
Sales of foreign affiliates	15.6	10.5	10.4	18.2	17.2	18.0
Total assets of foreign affiliates	18.2	13.9	15.9	23.4	14.8	19.8
World production	11.7	6.3	0.7	–0.9	3.4	6.1
Fixed capital formation	12.2	6.6	0.6	–0.6	4.3	

Source: UNCTAD, 2001, *World Investment Report;* and 2000, *Research Note.*

Moreover, as I discuss in greater detail in the next chapter, Third World investors have participated at an increasing rate in FDI flows. Investment abroad by investors from Third World countries increased sharply throughout the 1990s, from $8 billion in 1991 to $46 billion in 1995 and $61 billion in 1997, for a total of $262 billion in 1991–97 (Kang and Johansson 2000, 19).

Another important aspect of the transnationalization of national economies is the growing importance of foreign portfolio equity investments (FPEI), which are not counted as FDI flows. These are international investments mainly by stock brokerage firms and mutual funds in foreign stock markets managing the capital of investors generally interested only in securing an ample return on their investments and exercise virtually no direct role in the company in which they invest. Portfolio investment covers a variety of financial transactions, ranging from bond issues to bank lending to the acquisition of equities for amounts not large enough to give the buyer a controlling interest in a firm (the demarcation line between direct and portfolio investment is usually set at 10 percent stake). FPEI flows represent a pronounced transnationalization of capital in that they are carried out by an array of investors with origins in a large number of countries. In the 1990s, as part of the drive to implement neoliberal, free-market policies (see chapter 3), many Third World countries facilitated FPEI inflows by establishing or liberalizing their stock-market exchanges. Referred to as "emerging markets," these countries represent a dramatic transnationalization of national firms and assets that accelerates the formation of transnationally oriented capitalist groups.

The growing direct- and equity-investment flows are part of the dramatic

Table 1.2. Annual Growth of World Trade and Output, 1981–2001

Year	World Trade (growth in volume)	World Output (average change in GDP)
1981–90	4.5%	2.9%
1991	4.3	1.0
1992	5.7	1.8
1993	4.6	1.4
1994	10.5	3.0
1995	8.6	2.7
1996	5.5	3.5
1997	9.2	3.4
1998	3.3	2.0
1999	5.8	2.8
2000	10.7	4.0
2001*	8.5	3.5

Source: UNCTAD, 2001, *World Economic Situation*, table 1.1:2.
* Figures for 2001 are estimates.

integration of world capital markets through the commodification of financial instruments. The global economy is closely associated with the rise of a new, globally integrated financial system and with frenzied speculative financial investments, which has earned the new global capitalism the dubious epithet "casino capitalism" (Strange 1986). The rise of a new, globally integrated financial system since the 1980s has been truly phenomenal. National financial markets are a thing of the past. National stock markets have all but disappeared. The takeoff of financial globalization in the 1970s was greatly enhanced in the 1980s and 1990s by financial deregulation and by the introduction of information technologies that allowed for twenty-four-hour financial transactions in real time around the world. Between 1980 and 1990 the volume of cross-border transactions in equities alone grew at a compound rate of 28 percent per year, from $120 billion to $1.4 trillion. The stock of cross-border bank lending rose from $324 billion to $7.5 trillion during the same period, and offshore bond markets (where companies issue IOUs *offshore*) increased by 537 percent, from $259 billion to $1.6 trillion. As Ankie Hoogvelt notes, if we add up all these categories of world financial integration plus the stock of principal derivatives and FDI, "the total exceeds the total of the combined FDI of the OECD economies" (Hoogvelt 1997, 78–80).

Aside from equity investments, other components of world capital markets are bond and debt financing, derivatives, stock options, warrants, and con-

Table 1.3. World Merchandise Exports, Production, and GDP, 1992–2001 (1990 = 100)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Value of world exports	108	108	123	147	153	158	156	162	183	175
Volume of world exports	109	113	124	133	139	154	161	168	186	183
World merchandise production	100	100	103	107	111	116	118	121	127	126
World real GDP	102	193	105	108	111	115	117	121	126	127

Source: WTO 2002.

vertibles. Securities markets are indeed another powerful sign of globalization. International issues of debt securities, equity securities, and cross-border flows of bank funds all increased throughout the 1990s. From 1993 to 1998 international bonds (bonds issued by foreign residents plus Eurobond issues) increased from some $1.3 trillion to more than $2.6 trillion, which doubled from 8 percent to 16 percent the share of international bonds among total bonds outstanding in world markets (Berger et al. 2000, 29).

Global Trade Flows

Let us now turn from investment flows to trade. It is important to note just how rapidly world trade has grown in recent decades. The value of the export of goods and services worldwide more than doubled in 1982–90, from $2.1 billion to $4.4 billion, and then had surpassed $7 billion by 2000 (UNCTAD 2001, *World Investment Report*, 2). However, the growth in trade must be seen relative to the growth in production. Table 1.2 shows the annual growth rate of world trade and the annual average change in world output from 1981 to 2001. The extent to which world trade outpaced world output is noteworthy. It means that an ever greater percentage of what the world produced was traded across national borders rather than consumed at home. This is one clear indicator of transnationalization. Table 1.3 shows the same phenomenon using a slightly different method for presenting data in a comparative perspective.

What we see in table 1.3 is an increase in the value and volume of world trade considerably higher than the increase in world merchandise production and world GDP. It could be argued, however, that the accelerated relative increase in world trade can indicate internationalization and not transnationalization. Let us explore this matter. UNCTAD distinguishes between three types of trade: arm's-length, TNC-initiated, and intrafirm. In arm's-length trade an economic

agent such as a firm or a state agency makes a sale or a purchase on the open market. Examples of TNC-initiated trade are collaborative agreements, trade associated with outsourcing or subcontracting, and so on. For instance, if a transnational apparel company subcontracts sewing operations to a local Caribbean firm and supplies the textiles and then purchases the finished garments, what is taking place is, in economic jargon, a "non-arm's-length," planned transaction. TNCs are responsible for a very large amount of world trade. Intrafirm trade, or networked trade, involves internal exchanges of goods and services among different branches of a single company. The second and third types of trade are non-arm's-length trade. And intrafirm trade is not really even trade between two distinct economic agents but rather exchanges among branches of a single agent. Much economic theory, such as international-trade or price theories, is based on the notion that the market operates solely through arm's-length trade, but in fact non-arm's-length trade accounted for some *two-thirds of world trade* by the end of the twentieth century (Ietto-Gillies 2002, 19). Moreover, the majority of this non-arm's-length trade is conducted as intrafirm trade (World Bank 1992). It becomes clear that data on the growth of world trade are themselves a commercial expression of globalized production. A report by the International Labor Organization report emphasizes that "these increased flows of direct investment have been accompanied by the growth of globally-integrated production systems characterized by the rapid expansion of intra-firm trade in intermediate products and of subcontracting, licensing and franchising arrangements, including new forms of outsourcing of work across national frontiers" (ILO 1997, 2).

Moreover, we can observe that $11 trillion in foreign sales registered by TNCs in 1998 easily surpassed total world exports of $6.7 trillion (UNCTAD 1999). TNCs supply "domestic" markets around the world through a growing web of local factories and offices rather than through exporting from home countries, which suggests that much of world trade is in fact planned trade. Contrary to mainstream economic theory, the global economy is decidedly not a free-market economy, in which prices, resource allocation, and so forth, are determined by market forces, but a planned oligopolist economy. But for our purposes the point is that TNCs are central to world trade and so the structure of world trade is one in which rising trade signals globalization rather than merely internationalization conceived in this regard as arms's-length transactions between discrete nation-state-based economic actors. What makes globalization stand out from earlier waves of internationalization is not just the increased volume of

international and cross-border flows but the changing character of these flows, new historic levels of integration by TNCs, and "national" economies from which it is not easy to recoil.

It may be argued that the majority of trade in the world still takes place within rather than across national boundaries and that much of "national" or local trade and production is not in the hands of the leading TNCs. This may be true at a formal level, but in fact any "national" or local economic activity is itself inserted into more encompassing transnational activity, a point to which I return in the next chapter. We can note here that the most dynamic corporations are precisely the ones with global investments. Among the largest "U.S." corporations, for instance, foreign revenues and foreign assets often account for 50 percent or more of total revenue and total assets. Already in 1991 Boeing earned 61 percent of its revenue overseas; Citicorp, 49 percent; Coca Cola, 64 percent; Colgate-Palmolive, 63 percent; Dow Chemical, 51 percent; Exxon, 78 percent; Ford, 39 percent; Hewlett Packard, 49 percent; IBM, 59 percent; McDonald's, more than 45 percent; NCR, 55 percent; Procter and Gamble, 45 percent; and 3M, 49 percent. Many of these same corporations employ half or more of their workforce in foreign countries (see Mattera 1992). Similarly, outsourcing, subcontracting, and intrafirm trade—practices that are expanding rapidly under globalization—conceal the extent of transnationalization by disaggregating and pigeonholing into "national" data sets production chains that are in fact globally integrated.

Even though the data presented in this section support the globalization thesis, a word of caution is in order regarding the nature of the data we collect in order to analyze the global economy. Here we can anticipate the argument I develop in subsequent chapters regarding the pitfall of what I refer to as *nation-state centrism*, or the tendency to take the nation-state as an autonomous unit of analysis and to gather and interpret data on the basis of this tendency. Just as the distribution of economic output in the United States among the fifty states and the ratio of goods marketed within and between the states tell us very little about the nature of the nation-state, aggregate world economic data do not have any inherent meaning for global structures. In comparing nation-state with transnational structures we need to focus on the particular fit between sets of institutions, classes, and groups and social production. The problem here is the use of data collected and registered in nation-state terms to measure phenomena that are transnational. In methodological terms, the problem concerns the relationship between theory and what we think we are measuring.

Global Capitalist Culture and Transnational Social Structure

Any discussion of globalization is incomplete without some analysis of culture and its role in the process. The place of culture in globalization has generated fierce debate. Earlier in this chapter I introduced the global capitalism thesis, which sees the global economy as the basis for related transnational processes. But many versions of globalization give explanatory, even causal, priority to the dramatic cultural changes worldwide associated with the process. Of course the integration of peoples into global social structures and social life implies a universal cultural transmission and by necessity involves a minimum quotient of shared symbols if social life is to be possible at the global level. Human beings cannot interact in any meaningful way except through the medium of culture as shared symbols, adaptive strategies, and meaning systems. Cultural agents are key actors in the global system, and a focus on "global culture" can contribute significantly to transnational studies (see, e.g., Featherstone 1990; Holton 1998; King 1997; Tomlinson 1999; and Waters 1995). There is little agreement in the globalization literature, however, on how to conceive of such a global culture. Among the distinct theses are *homogenization*, which highlights the convergence of culture worldwide; *hybridization*, focusing on the rise of hybrid cultural variants out of contact between distinct cultures; and *polarization*, or the clash of cultures. These three theses certainly capture different dimensions of cultural globalization, but there are very distinct ways of interpreting the process even within each thesis.

How, then, do we view cultural processes in relation to globalization? Some accounts tend to idealize culture, proposing it as structurally independent movement that is determinative in the process of globalization and can be analyzed separately from economic globalization. These accounts object to an economic analysis of culture as "economic determinism" and tend to downplay the material relations of domination and subordination involved in globalization. But in the dialectical approach the cultural and material realms interact, and both exercise a determination insofar as social structures both shape and are shaped by cultural agents and processes. Although culture is autonomous, I do not think it can be understood as an independent realm. Some social scientists see a cultural determination in emphasizing the new "lifestyles" and "postmodern consumption patterns" and identities made possible by transnational society, and a new "sociology of consumption" has become popular (see, e.g., Ritzer 2002). The postmodernist celebration of "difference" and a multiplicity

of identities provides fertile ground for global capitalist commodification and marketing. But consumption is not an independent variable; the structure of production antecedes and shapes that of consumption. Changes in consumption associated with postmodernism and globalization reflect fundamental changes in patterns of resource distribution. Although income polarization, the emergence of a high-consumption sector, and shifts in production toward luxury goods for personalized consumption may allow for new "lifestyles," they are themselves consequences of changes in the structure of world production. Cultural marginalization, on the one hand, and economic deprivation and exploitation, on the other, are inseparable; indeed, they constitute two sides of a single coin, twin dimensions of a single structure of social relations of domination.

More generally, patterns of consumption are less the result of the sum total of the "free wills" of atomized consumers than they are the result of the systematic and scientific use of popular culture (e.g., through advertising and marketing) to create mass demand and mold status-based consumption. On the other hand, global elites in each country increasingly tend to share similar lifestyles, including patterns of higher education (e.g., attendance at world-class business schools) and consumption of luxury goods and services. These global elites resemble one another in their lifestyles and outlooks irrespective of nationality. As Pierre Bordieu would remind us with his theories of "cultural capital," such lifestyles and acquisitive behavior reinforce class domination (see, e.g., Bordieu 1977, 1993). Below the global elites are high-income professionals and technicians, who also appear to share more culturally with their counterparts in different countries than with their fellow nationals of the lower classes. But global culture also involves the rise of a global "mass culture" of petty consumption inspired by capitalist icons.

Those such as myself who analyze culture in terms of the world capitalist system tend to assume that economic globalization generates concomitant processes of cultural globalization. The cultural impact of the new global capitalism is immense. The cultural icons Coca Cola, Mickey Mouse, Big Macs, Nike, and so on, are symbolic of the real material domination of TNCs. A superficially convergent culture emerges in which certain industries—entertainment, fashion, tourism, the visual media, sports, popular music, and the cult of celebrities—are crucial. As Jeremy Seabrook observes, "Few places in the world remain untouched by the death of Diana, Princess of Wales, perhaps the first icon of globalization. The generation of mass grief for someone whom most

had never met suggests a vast reservoir of exploitable emotion" (1998, 22). Cultural identities remain, but under the impact of market relations these identities tend to become commodities themselves. The global cultural icons symbolize the domination of a particular corporate capitalist culture. Here, the Disneyfication or Coca-colonization of cultural life is the outcome of the homogenizing tendencies of a universal market ideology, a reflection of what Jürgen Habermas refers to as the "colonization of the life world" (1985, 1991). Transnational production chains, by the nature of the activities involved and the networks of people drawn into them, facilitate widespread cultural change and promote global capitalist culture. More generally, global production chains are nodal points for the dissemination of global capitalist culture.

Economic changes always involve as well social, political, cultural, and ideological change. New technologies and organizational innovations have resulted in a new wave of what David Harvey calls "time-space compression" (1989), or the shrinkage of space and the reduction of time in social relations. Both space and time are increasingly "annihilated" by the changes in material life brought about by globalizing processes. The new flexible accumulation, the heightened mobility of capital, the revolution in global communications and transportation, the opening up of national economies and societies, and escalating transnational migration all break down spatial and time barriers around the world, integrating the world into the so-called global village and bringing about new forms of consciousness. The entire process tends to generate pressures not just for the standardization of production and labor conditions around the world but also for social, political, and cultural practices, with profound implications for power relations. The worldwide social structure is changing profoundly and fundamentally. Emerging is a truly *transnational social structure*, of which the TCC and a TNS are key dimensions.

Global Class Formation and the Rise of a Transnational Capitalist Class

"A merchant, it has been said very properly, is not necessarily a citizen of any particular country," observed Adam Smith in 1776 in his famous *Wealth of Nations*. "It is in great measure indifferent to him from what place he carries on his trade; and a very trifling disgust will make him remove his capital, and together with it all the industry which it supports, from one country to another" (quoted in Ross and Trachte 1990, xv). More than two hundred years later Al Zeien, the CEO of the Gillette Corporation, expressed a similar sentiment: "A multinational has operations in different countries," he said, whereas "a global company views the world as a single country. We know Argentina and France are different, but we treat them the same. We sell them the same products, we use the same production methods, and we have the same corporate policies. We even use the same advertising, in a different language, of course" (quoted in Sklair 2001, 286). Both Smith and Zeien were pointing to capitalists' worldwide reach in the drive to accumulate profit. But juxtaposed, the two comments underscore a key change in the world capitalist system, namely, the shift from a world economy based on trade and financial flows between countries, which Smith implies in discussing the merchant's indifference to national boundaries, to a global economy characterized by the emergence of a single global production system, to which Zeien alludes. Smith speaks of merchants moving "from one country to another" and thus captures the process of *internationalization* that is immanent to capitalism. Zeien, in turn, who chairs the board of directors of a Fortune 500 company, makes a distinction between the multinational company and the global company. In doing so he speaks to the process of *transnationalization*, which I have suggested is a defining feature of the epoch of globalization.

Transnational class formation is central to globalization and involves the rise of a *transnational capitalist class*, or TCC. The emerging global production sys-

tem is redefining the relation between production and territoriality, as we saw in chapter 1. The relationship between nation-states, economic institutions, and social structures becomes modified as each national economy is reorganized and integrated into the new global production system. In the present chapter I argue that class formation is less bound to territory and to the political jurisdiction of nation-states than it has been for much of the history of world capitalism. In the previous chapter I discussed the globalization of production. Of concern in this chapter and the next are its social and political implications, in particular as regards class and state formation. It is the globalization of production that provides the basis for the transnationalization of classes and the rise of a TCC.

Why is it so important to study transnational class formation? It is generally agreed that social class is a fundamental category in society, and class analysis is integrated into a great deal of research in the social sciences. But class is also one of the most thoroughly contested concepts in the social sciences, with little agreement among scholars on its exact meaning or its explanatory power. For a time in the late twentieth century the study of class seemed to be conspicuously absent from much social science scholarship, such as poststructural, post-Marxist, and state-centered approaches, as detailed by Scott McNall, Rhonda Levine, and Rick Fantasia in their 1991 volume, *Bringing Class Back In*. It is impossible, in my view, to understand society without an analysis of class. The importance of such analysis is heightened by the rapid social changes bound up with globalization. Class analysis is complex and cannot *by itself* explain the various levels of social structure. Class analysis complements and enriches, rather than replaces, other kinds of analysis, such as ethnicity and gender analysis. The distinct levels of social structure cannot be understood independent of class, nor are these levels reducible to any one category. They are internally related; that is, they can only be understood in their relation to one another and to the larger social whole (see chapter 3). New social hierarchies, cleavages, and forms of inequality have emerged as people all around the world have become swept up into transnational class relations. A focus on the rise of a new global ruling class is essential for comprehending these relations and their varied impacts. Capitalism, and hence the capitalist class, for instance, has always been dependent—and still is in the system's transnational phase—on the unremunerated labor of women and on the creation of superexploited ethnic labor pools. Studying such transnational class relations, as Abdul Rahman Embong notes, is replete with theoretical and methodological problems, including "the tendency to overwork one's concepts" (2001, 105).

My theory of global class formation emphasizes three dimensions: transnational production and capital integration; national and transnational capitalist class fractionation; and the Gramscian concepts of hegemony and historic blocs to explain how class groups construct and contest social orders and political projects. This theory has its share of critics (see "Symposium on the Transnational Capitalist Class" 2002; and "Symposium on Social Theory and Globalization" 2001). But I am certainly not the first to observe that the capitalist class has been in a process of transformation bound up with the international expansion of capital in the twentieth and early twenty-first centuries. Since the 1960s a growing number of social scientists have discussed the rise of an "international capitalist class." In the early 1970s, for instance, Stephen Hymer noted that "an international capitalist class is emerging whose interests lie in the world economy as a whole and a system of international private property which allows free movement of capital between countries. . . . there is a strong tendency for the most powerful segments of the capitalist class increasingly to see their future in the further growth of the world market rather than its curtailment" (Hymer 1979, 262). In their landmark 1974 study, *Global Reach*, Richard Barnet and Ronald Mueller argued that the spread of multinational corporations had spawned a new international corporate elite. Summarizing much of this earlier work in the 1960s and 1970s, Walter Goldfrank pointed in 1977 to "growing evidence that the owners and managers of multinational enterprises are coming to constitute themselves as a powerful social class" (35) and that "the study of class structure or stratification on a world level is in its infancy" (32).

More recently, as the global economy came into focus in the closing decades of the twentieth century, scholars came to accept that studies on class have to take into account transnational class relations (see Giddens 1997; and Overbeek 2001), and several turned to examining the formation of transnational classes. Among the pioneering scholars in this area has been the Dutch political economist Kees van der Pijl (1984, 1989, 1998). He has analyzed the fractionation of capital along functional lines in advanced capitalist countries in the post–World War II period (the concept of fractionation is discussed below). Van der Pijl points to the internationalization of different capitalist groups and their political projects as a consequence of the transnational expansion of capital. He develops the idea of an internationally class-conscious bourgeoisie and of a "comprehensive concept of [bourgeoisie class] control" at the international level. For its part, the Italian school of international relations, so called because it has ap-

plied the theories of the early-twentieth-century Italian Marxist Antonio Gramsci to the study of international relations, has set out to theorize a global social formation beyond the logic of the nation-state (see esp. Cox 1987; and Gill 1990). According to Robert Cox, one of the leading figures in the Italian school, there has come into existence "an emergent global class structure" (1987, 271). Pursuing this proposition, Stephen Gill, another leading figure, has identified a "developing transnational capitalist class fraction" (1990, 1993). But perhaps the scholar who has gone the furthest in arguing for the existence of a TCC is the sociologist Leslie Sklair. In recent years Sklair has written broadly on his "theory of the global system" (1995). His theories involve the idea of the TCC as a new class that brings together several social groups: the executives of transnational corporations, or TNCs; "globalizing bureaucrats, politicians, and professionals"; and "consumerist elites" in the media and the commercial sector (1995, 2001).

Although my analysis diverges from Sklair's in a number of ways,[1] Sklair's work is closest to my own and goes the furthest, I believe, in conceiving of the capitalist class as increasingly less tied to territoriality or driven by national competition. This view is essential to the global capitalism thesis. The focus of class analysis has traditionally been confined to classes within national societies. Such analyses are often premised on the assumption that class formation is conditioned by the history, politics, and culture of respective national societies. This focus may have been justified historically, but globalization has rendered it inadequate. Even when scholars do take into account transnational class relations, most approach the matter from a nation-state-centered conception of class. The typical focus is on *national* bourgeois classes that converge externally with other national classes at the level of the international system through the internationalization of capital and, concomitantly, of civil society. The formation of a world ruling class is seen as the international collusion of these na-

[1]Sklair and I have debated our differences since the early 1990s in personal conversations and correspondence and in shared professional venues. My differences with his "theory of the global system" (1995, 2002) revolve around his definition of the capitalist class as inclusive of professional and middle-class groups (such as journalists), state bureaucrats, politicians, technicians, and other strata that are not necessarily propertied. I believe the capitalist class is a propertied class—the owners of capital—and that the TCC is the capitalist group that owns or controls transnational capital. The task is to problematize the mechanisms of capitalist influence over nonpropertied strata and over the state and analyze how coalitions are constructed and how capitalist hegemony is achieved. See Embong 2001 for a sympathetic critique of Sklair on this point. In addition, there is no room in Sklair's theory for the conception of TNS apparatuses or TNS practices. What for me are functionaries and technicians of such a TNS, such as WB officials, become in Sklair's account members of the TCC.

tional bourgeoisies and their resultant international coalitions. If in an earlier period national bourgeoisies were in sharp rivalry with one another, they may now be in collusion. In this approach capitalist classes remain strictly national; the old view of internationalization as national blocs of capital in competition is merely modified to accommodate collusion in the new, globalized age. But globalization compels us to modify some of the essential premises of class analysis, particularly the notion that classes are by definition attached to nation-states. Globalization, as we will see, is establishing the material conditions for the rise of a bourgeoisie whose coordinates are no longer national.

Global Class Formation: From National to Transnational Classes

Class formation is an ongoing historical process and refers to changes over time in the class structure of society, including the rise of new class groups and the decline of old ones. By *class* I mean a group of people who share a common relationship to the process of social production and reproduction and are constituted relationally on the basis of social power struggles. This concept of class applies to antagonistic polar opposites, which is to say, to classes that stand opposed to each other and are constituted on the basis of their polar relationship, such as the bourgeoisie and the proletariat, slaves and slave owners, or serfs and lords. The existence of one end of the pole is only possible in relationship to the other. There could be no slave owners without slaves, no capitalists without workers. But the concept of class can also be used for analysis of particular groupings within a single class, what we call class *fractions*. For instance, the study of the capitalist class involves identifying three fractional interests: industrial capital, commercial capital, and financial capital. Industrial capitalists are those that own or organize industrial enterprises. Financial capitalists are those who control the financial system, that is, bankers, currency speculators, and so forth. And commercial capitalists are those who control trade, or the distribution process. More recently, researchers have argued that information capitalists make up a new fraction in the age of the Internet and the dot-com company. Central to my thesis on transnational class formation is the idea that *under globalization a new class fractionation, or axis, is occurring between national and transnational fractions* of classes.

An analysis of transnational class formation must start with the primacy of social relations of production in the constitution of antagonistic classes and

with the derivation of specific classes or class fractions, such as a TCC, from class struggle grounded in these relations. In other words, if we want to gain an understanding of the class structure of a particular society at a particular moment in history, we would do well to start with an analysis of the economy and the social production relations that prevail. We could expect to find lords and serfs in a feudal economy, capitalists and workers in a capitalist economy, and so forth. Further study of the economic structure of society would yield additional insight, such as which fractions of capital are predominant at any one time, whether people who labor in agriculture are doing so as serfs, as freeholding peasants, or as wage workers. I am suggesting that the globalization of production and the extensive and intensive enlargement of capitalism in recent decades constitute the material basis for the process of transnational class formation.

But a study of the economy is only a starting point of class analysis. Classes do not develop in an institutional, political, or cultural vacuum. Marx, in his analysis of class, clearly identified class as a collective position vis-à-vis the means of production and the production process. But he also suggested that the existence of a class is conditional upon its capacity to forge a collective political and/or cultural protagonism, that is, a self-representation and that class formation involves the mutual constitution of antagonistic classes. In other words, class formation involves collective agency. This dialectic conception is best captured in Marx's notion of a *class-in-itself* and a *class-for-itself*, and it is epitomized in the modern literature on class, perhaps above all in the works of the late British historian Edward P. Thompson (1968). A class-in-itself is a group whose members objectively share a similar position in the economic structure of society independent of the degree to which they are aware of their collective condition or to which they consciously act on the basis of this condition. A class-for-itself is a class group whose members are conscious of constituting a particular group with shared interests and would be expected to act collectively in pursuit of those interests. The study of class formation therefore involves structural and agency, or objective and subjective, levels of analysis. The first is concerned with the material bases and the production relations that give rise to and define classes; the second, with intentionality and the forms of consciousness involved in intervention that shape social processes and as well the direction of development in material relations.

I will return to the matter of structure and agency in the constitution of a TCC shortly. But first I want to argue that while historically the process of class

formation in the capitalist system may have taken place through the institutional framework of the nation-state system, under globalization this is increasingly less so. Until recently the reality of capital as a totality of competing individual capitals and their concrete existence as a class relation within specific spatial confines determined geographically as nation-states worked against a trans- or supranational unifying trend in the development of world capitalism. Stated differently, in a world of national economies classes developed around national circuits of accumulation (see Fig. 1.1). Here we can emphasize the centrality to class analysis of the circuit of capital, a concept introduced in chapter 1, which Marx expressed in the formula *M-C-P-C′-M′* (*M* = money, *C* = commodities, *P* = production, *C′* = new commodities, *M′* = a greater amount of money than was present when the circuit began, representing accumulation). This circuit is not merely an economic sequence; it is embedded in and shaped by social, political, and cultural processes. It is around the circuit, particularly *M-C-P-C′-M′*, that class formation takes place, classes struggle, political processes unfold, states attempt to create the general conditions for the circuit's reproduction, cultural processes spring forth, and so on. Recall my earlier argument that in the previous period of "shallow integration" the first part of this circuit, *M-C-P-C′*, took place in national economies. Commodities were sold on the international market, and profits returned home, where the cycle was repeated. Under globalization *P* is increasingly decentralized and globally dispersed, and so too is the entire first part of the circuit, *M-C-P*. Globally produced goods and services are marketed worldwide. Profits are dispersed worldwide through the global financial system that has emerged since the 1980s, which is qualitatively different from the international financial flows of the earlier period. Taking the argument a step further, the key point to emphasize now is that as the entire circuit becomes transnationalized, so too do classes, political processes, states, and cultural-ideological processes. As national circuits of capital become transnationally integrated, these new transnational circuits become the sites of class formation worldwide. The locus of class and group relations in the new epoch is not the nation-state but the global system.

Capital's Liberation from the Nation-State

Let us now examine the political implications of the transnationalization of the capital circuit. Capital, as I suggested in chapter 1, has become increasingly liberated from the spatial barriers of the nation-state as a result of new technologies, the worldwide reorganization of production, and the lifting of

nation-state constraints to the operation of the global market taking place under globalization. In previous epochs of capitalism the nation-state was the predominant locus of struggles between classes and social groups over the distribution of wealth, social arrangements, and political projects. Dominant and subordinate classes struggled against each other over the social surplus through nation-state institutions and fought to utilize national states (governments) to capture shares of this surplus. But globalization redefines the phase of distribution in the accumulation of capital in relation to nation-states. This means that the *circulation* of capital—of the wealth produced in the capitalist production process—tends to become delinked from production and removed more directly from political and institutional control in relation to earlier epochs. This suggests that globalization also redefines the relations between social classes and groups within and among nations. The nation-state is no longer the organizing principle of capitalism and the institutional "container" of class development and social life.

What I am getting at may become clearer by drawing on the analysis developed by Karl Polanyi in his classic 1944 study, *The Great Transformation*. Polanyi summed up the previous historic change in the relationship between the state and capital, and society and market forces, that took place with the maturation of national capitalism in the nineteenth century and the first half of the twentieth. As capitalism emerged, the unregulated market, with its naked quest for gain, became unleashed. The rampant market forces wreaked havoc on the social bonds and institutions on which people relied for their individual and collective survival. For instance, farmers and ranchers lost guaranteed access to farm and pasture lands as land became a privately owned commodity. As communities were sucked into the rules and rhythms of capitalist production, age-old customs of reciprocity and collective well-being were undermined. The result was what Polanyi called the "disembedding" of the economy from society during the nineteenth century in Europe and the liberation of the market from social constraint. But society responded to the rampant market forces by rising up in a great movement against unrestrained capitalism. This social upheaval against unbridled market forces, what Polanyi called a "second movement"—the first was the unleashing of the market from social constraints—led to a measure of "social regulation" over the forces of capitalism. According to Polanyi, this social regulation, which ranged from government legal regulations and limits on capital to social-welfare measures, minimum wages, and so forth, was able to curtail the most deleterious effects of the market.

Extending Polanyi's analysis, we are now witness to another "great transformation," the maturation of transnational capitalism. This globalization of capitalism seems to be replicating at the global level the sequence of historical development identified by Polanyi. The global decentralization and fragmentation of the production process and the concomitant processes unfolding under the global economy—returning now to my earlier assertion—redefine the phase of distribution in the accumulation of capital in relation to nation-states. This process also fragments national cohesion around processes of social reproduction and shifts the site of reproduction from the nation-state to transnational space. The "utopia" of a self-regulated market that was brought under control by the double movement in the centers of world capitalism at the end of the nineteenth century reemerged with the lifting, through the process of globalization, of nation-state constraints on (transnationalized) capital. This liberation helped free emergent transnational capital from the compromises and commitments placed on it by the social forces in the nation-state phase of capitalism. It dramatically altered the balance of forces among classes and social groups in each nation of the world and at the global level toward an emergent TCC. The declining ability of social forces based in the nation-state to intervene in the process of capital accumulation and to determine economic policies reflects the newfound power that transnational capital has acquired over popular classes.

Let us "unpack" these propositions. It may help to restate my thesis: the "double movement" that took place late in the nineteenth century was possible because capital, facing territorial, institutional, and other limits bound up with the nation-state system, faced a series of constraints that forced it to reach a historic compromise with the working and popular classes. These classes could demand that national states place some constraints on the power of capital and social control over the capitalist production process and redistribute wealth in the phase of circulation, because national states enjoyed a varying but significant degree of autonomy to intervene in the phase of distribution, capturing and redirecting surpluses. The French sociologist Alain Lipietz (1987), among others, has called this historic compromise the "Fordist class compromise." That compromise took the form of the Keynesian, or New Deal, states and Fordist production in the cores of the world economy and of their Third World variant, multiclass "developmentalist" states and diverse populist projects in the periphery (which, in overly simplistic terms, had their counterparts in the redistributional states of the former socialist bloc).

What do I mean by this? From the late nineteenth century into the 1970s world capitalism became organized around the Fordist model, discussed in chapter 1. In constructing a Fordist model of national capitalism, governments, universities, businesses, trade unions, and other bureaucracies applied the theories of the great British economist John Maynard Keynes. In particular, they applied his argument that governments should intervene in the process of production and distribution via regulations and incentives and by capturing and redistributing surpluses (wealth) through taxes, the credit system, and other mechanisms. In this way governments could overcome crises, assure long-term growth and employment, and stabilize capitalist society. Why would capitalists agree to this arrangement? Well, in the nation-state phase of capitalism it was, first of all, in their interests. Second, they had little choice, given the social upheavals against rampant market forces and the threat of further class struggle. Fordism-Keynesianism was essentially a model of accumulation based on a redistribution of wealth, on regulation, and on a (national) state-supervised class compromise between capitalists and workers. Diverse Keynesian models of capitalist accumulation spread throughout the twentieth century from the cores of the world capitalist system to the former colonial domains in Latin America, Africa, and Asia. The latter tended to pursue a development model along radical Keynesian lines, often referred to as "developmentalist," or populist, projects. The Keynesian states of the North and the developmental states of the South were able to capture and redirect surpluses through interventionist mechanisms that were viable in the nation-state phase of capitalism.

We can thus assert that in the previous stage of capitalism the nation-state acted fundamentally to mediate class relations and was a key political determinant in class formation. Subordinate classes mediated their relation to capital through the nation-state. Capitalist classes matured within the protective cocoon of nation-states and developed interests in opposition to rival national capitals. These states expressed the coalitions of classes and groups that were incorporated into the historic blocs of nation-states. The outcome of world class struggles in this period, to reiterate, was the "Fordist compromise": Keynesian, or New Deal, states and Fordist production in the cores of the world economy and diverse, multiclass developmentalist states and populist projects in the periphery, what some have called "peripheral Fordism."

There was nothing transhistorical or predetermined about this process of class formation worldwide, unfolding as it did within the framework of the nation-state. It is now being superseded by globalization. We are in an open-ended

period of transition in which the character of the new structures and relations I want to foreground here are *emergent* rather than accomplished. In highly simplified terms, the global mobility of capital alters the relationship of nation-states to capital accumulation. It also alters the relationship between classes. What is occurring, I want to argue, is a process of transnational class formation, in which (or because) the mediating element of national states has been modified. In sum, a global class structure is becoming superimposed on national class structures. As national productive structures become transnationally integrated, world classes whose organic development took place through the nation-state are experiencing supranational integration with "national" classes of other countries. This global class formation involves the increasing division of the world into a global bourgeoisie and a global proletariat, even though global labor remains highly stratified along old and new social hierarchies that cut across national boundaries, and has brought changes in the relationship between dominant and subordinate classes, with consequent implications for world politics.

The proletariat worldwide and subordinate groups more generally are clearly caught up in the process of transnational class formation. A transnational working class is increasingly a reality, a *class-in-itself,* meaning that it exists objectively. Transnational production chains, or circuits of accumulation, are sites of transnational class formation for both dominant and subordinate groups. Workers who are engaged in component phases of globalization production processes are scattered across the globe, yet they may be part of the same circuit of accumulation. They are linked to one another in a more organic way than in the previous period, when workers participated in national production processes and belonged to national working classes. For instance, under new global economic arrangements workers who make the various component parts and engage in the assembly of a Ford car are laboring in a singular production process dispersed over numerous sites that span whole continents. These workers who in combination produce a vehicle yet are dispersed across several countries—in the case of the Ford vehicle, Canada, Korea, Spain, the United States, and Mexico—enjoy an internal relation to one another as members of a class in a way that workers within national borders did in the epoch of nation-state capitalism.

But this emerging global proletariat is not yet a *class-for-itself;* that is, it has not necessarily developed a consciousness of itself as a class, or organized itself as such, for reasons bound up with the continued existence of the nation-

state and uneven development, as I discuss, albeit briefly, in chapter 3. The exclusionary processes of globalization, especially post-Fordist restructuring and the new capital-labor relation, fragment large sectors of the global working class. My discussion of the TCC is therefore partial. A holistic presentation would have to begin the account of causal determination with class struggle and the evolution of social relations of production and also include the effects of global capitalist restructuring on exploited classes as the flip side to the account of the TCC. I follow here the definition of the global proletariat put forward by Michael Hardt and Antonio Negri in their provocative study *Empire:* "a broad category that includes all those whose labor is directly and indirectly exploited by and subjected to capitalist norms of production and reproduction" (2000, 52). Seen from the perspective of workers and the poor, the rise of a new global proletariat is potentially a tremendously positive development, as Hardt and Negri point out, because it opens up new potentialities of resistance and emancipation. This is the subject of another study (and I refer readers to Hardt and Negri's work, among others), although I touch on it briefly in the concluding chapter.

The Rise of a Transnational Bourgeoisie

Marx and Engels spoke in the twentieth century, in the prescient passages of *The Communist Manifesto,* of the global nature of the capitalist system and of the drive of the bourgeoisie to expand its transformative reach around the world. "The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe," they argued, in perhaps one of the most often quoted passage in world literature. "It must nestle everywhere, settle everywhere, establish connexions everywhere" (Marx and Engels [1848] 1978, 476). But for Marx, and for many Marxists after him, while the bourgeoisie it is a global agent, it is *organically national* in the sense that its development takes place within the bounds of specific nation-states, and it is by fiat a nation-state-based class. Early-twentieth-century theories of imperialism such as those advanced by V. I. Lenin (1917), Nikolai Bukharin ([1915] 1973), and Rudolph Hilferding ([1910] 1981) established the Marxist analytical framework of rival national capitals, a framework carried by subsequent political economists into the latter twentieth century via theories of dependency and the world system, radical international-relations theory, studies of U.S. intervention, and so on.

According to this perspective, the capitalist class is organized through the distinct political boundaries of nation-states. The competition among capi-

tals that is inherent to the system therefore takes the form of competition (as well as cooperation, depending on the circumstances of the moment) among capitalist groups of different nation-states and is expressed as interstate competition, rivalry, and even war. Far from sequences of free-floating ideas, these earlier theories of imperialism were developed to explain historic world events, such as the twentieth century's two world wars, and to orient practice, such as national revolutions in the Third World seen as directed against particular imperialist countries. The problem was not that these theories stepped outside of history; on the contrary, they were theoretical abstractions from historical reality. In fact, much of the dynamics of international relations and world development over the past five centuries can be explained by the dynamics of interstate rivalries and national capitalist competition.

The problem with the earlier theories of imperialism was that they failed to acknowledge the historical specificity of the phenomena they addressed, tending to extrapolate a transhistorical conclusion regarding the dynamics of world class formation from a certain historical period in the development of capitalism. There is no reason to assume that the nation-state is the only possible political form for organizing social life in the capitalist system and in the modern era. Nor should it be assumed—and specifically with regard to the topic at hand, the capitalist class—that social classes are necessarily organized along national lines. That they have been until recently is something that must be problematized, that is, explained with reference to how the course of history actually unfolded and not by reference to some abstract law or principle of the capitalist system and the modern world. I am in fact arguing that globalization involves a supersession of the nation-state as the organizing principle of social life under capitalism.

To the extent that local production systems are integrated into globalized circuits of production through the process of transnationalization, the logics of local and global accumulation tend to converge, and the rivalries between capitalists that previously took the form of national rivalries begin to acquire a new character. Competition between capitalists remains fierce, but given the increasing deterritorialization of accumulation processes and the transnational integration of capitalists, competition takes place increasingly between oligopolist clusters in a transnational environment. The transnational bourgeoisie is not a unified group. Dominant groups are heterogeneous, and their interests vary and often collide. This holds true for the new global ruling class. "The same conditions, the same contradiction, the same interests necessarily called forth

on the whole similar customs everywhere," noted Marx and Engels in regard to the formation of new class groups. "But separate individuals form a class only insofar as they have to carry on a common battle against another class; otherwise they are on hostile terms with each other as competitors" (Marx and Engels [1846] 1979, 82). Fierce competition among oligopolist clusters, conflicting pressures, and differences over the tactics and strategy of maintaining class domination and addressing the crises and contradictions of global capitalism make any real internal unity in the global ruling class impossible.

I take up these themes in greater detail in the remaining chapters. Suffice it to state here that much recent research into globalization, by both Marxists and non-Marxists, has analyzed the process of economic globalization from within the political framework of the nation-state system and the agency therein of national classes and groups. I have critiqued this approach as an inappropriate "nation-state framework of analysis" (Robinson 1998, 1999, 2002a). Many Marxists and non-Marxists alike advance a peculiar dualist construct that posits separate logics for a globalizing economic system and a nation-state-based political system. In this dualist construct the nation-state is seen as immanent to capitalist development, and transnational class formation therefore cannot really be conceived beyond the clash and collusion of "national" classes. A clear statement of this dualism, and of the notion that the nation-state is immanent to capitalism itself, is made by Wood (1999, 2002), who argues that "global capitalism is nationally organized and irreducibly dependent on national states" (1999, 11). But this dualism is untenable if we are to maintain that material conditions, in particular the process of production, are central to political development and that classes are grounded in real economic production relations. If we acknowledge that these production relations are globalizing, then it is incumbent upon us to address the issue of transnational class formation.

The classical Marxist tenet, as epitomized in the citation above from *The Communist Manifesto,* that since capitalism is increasingly international, the capitalist class is therefore also international in nature, needs to be updated in light of globalization. Inherent in the notion of *inter*national is a system of nation-states that mediates relations between classes and groups, including the notion of national capitals and national bourgeoisies. *Transnational* denotes economic and related social, political, and cultural processes—including class formation—that supersede nation-states. The global economy is bringing shifts in the process of social production worldwide and therefore reorganizing the

world class structure. The rise to economic dominance of the joint stock company and the national corporation in the late nineteenth century affected the class structure profoundly. With the consolidation of national corporations and national markets, local and regional capitalists crystallized into national capitalist classes. These became powerful ruling classes that restructured society and ushered in a new era of corporate capitalism, symbolized by the infamous robber barons and industrial tycoons. This was the third epoch of capitalism.

We are in the earlier stages of the same process at the global level. The leading elements among national capitals are fusing into a new configuration of transnational capital. The rise of transnational capital out of former national capitals is having a similar transformative effect on what were national capitalist classes. These are drawn by globalization into transnational chains that reorient the determinants of class formation. The leading capitalist strata worldwide are crystallizing into a TCC. This is *not* to say that there is a single TCC and that all capitalists belong to it. There are multiple, overlapping, and competing forms of capital around the world. Class formation is by definition an incomplete and constantly shifting process. We can identify local, national, and regional capitals and study the relationships among them as well as between them and transnational capital. These relationships may be contradictory and conflictive; nonetheless, we can clearly identify the rise of transnational fractions among the multitude of capitalist groups and the ascendance of these fractions.

This new transnational bourgeoisie, or capitalist class, comprises the owners of transnational capital, that is, the group that owns the leading worldwide means of production as embodied principally in the TNCs and private financial institutions. This class is *trans*national because it is tied to globalized circuits of production, marketing, and finances unbound from particular national territories and identities and because its interests lie in global over local or national accumulation. The TCC therefore can be located in the global class structure by its ownership and/or control of transnational capital. What distinguishes the TCC from national or local capitalists is that it is involved in globalized production and manages globalized circuits of accumulation, which gives it, spatially and politically, an objective class existence and identity in the global system above any local territories and polities. Transnational capital constitutes the "commanding heights" of the global economy. The members of the TCC are the owners of the major productive resources of the world. They are,

to transpose to the global level what Marx said of capitalists in the national context, "the owners of the system of production" (Marx 1959, 349). As the agent of the global economy, *transnational capital has become the hegemonic fraction of capital on a world scale.* Here *fraction* denotes a segment within a class determined by its relation to social production and to the class as a whole. The hegemonic fraction of capital is that fraction which imposes the general direction and character on production worldwide and conditions the social, political, and cultural character of capitalist society worldwide.

The TCC is the new ruling class worldwide. Class theorists have identified an inner circle in the capitalist class in various countries that plays an integrating and leading role for the dominant class as a whole (see, e.g., Domhoff 1998; Useem 1984; and Zeitlin and Ratcliff 1988). Transposing this analysis to the global level, I suggest that an inner circle of the TCC has become increasingly organized—in the World Economic Forum (WEF), for example (see chapter 3)—and seeks to secure the fundamental class interests of the TCC as a whole. At the level of agency, the TCC, as represented by its inner circle, leading representatives, and politicized elements, is class conscious. It has become conscious of its transnationality.[2] It has been pursuing a class project of capitalist globalization, as reflected in its global decision making and the rise of a TNS apparatus under the auspices of this fraction. The TCC is represented by a class-conscious transnational elite made up of an inner circle of transnational capitalists, along with transnational managers, bureaucrats, technicians, and leading ideologues and intellectuals in the service of the TCC. The transnational managerial elite, based in the centers of world capitalism, is at the apex of the global economy, exercises authority over global institutions, and controls the levers of global policymaking.

The TCC is increasingly a class-in-itself and a class-for-itself. It is a *manifest agent of change.* This point cannot be understated: Mainstream accounts of globalization, such as Thomas Friedman's book *The Lexus and the Olive Tree,* which sees globalization as a new technological-economic system based on the microchip and driven by an "electronic herd" of financial investors, are divorced from all agency or power structure. When they speak of globalization as some impersonal force, global elites attempt to reify global capitalism as a reality ex-

[2]This was noted as long ago as 1974 by Barnet and Mueller. For accounts from the horse's mouth, so to speak, of the reflexive thinking of this transnational bourgeoisie, see Soros 1998; and Wriston 1992 (Walter Wriston is a former CEO of Citibank, and George Soros is a global currency speculator). See also Sklair 2001.

ternal to their own agency and interests. A focus on the TCC spotlights the centrality of agency to the process. To be sure, the dialectic of struggle between social forces from below and social forces from above is the *ultimate agency* behind globalization, whereas the TCC and global elites are its *direct agents* insofar as they have pursued a project of capitalist globalization. This holds true, at least, for the momentary historical juncture of the late twentieth and early twenty-first centuries, in which capitalist globalization has increased the relative power of global capital over global labor by acting as a centripetal force for the capitalist class and a centrifugal force for the working class. Let us now elaborate on my notion of a national/transnational class fractionation.

National/Transnational Class Fractionation

With the rise of transnational corporate and political elites, class fractionation is occurring along a new national/transnational axis. In recent years, in every country of the world, transnationalized fractions, or nuclei, of local dominant groups have emerged. Here contradictory logics of national and global accumulation are expressed in distinct political projects. The interests of national fractions of dominant groups lies in national accumulation, including the whole set of traditional national regulatory and protectionist mechanisms, while transnational fractions find that their interests are advanced through an expanding global economy based on worldwide market liberalization. These two fractions have been vying for control of local state apparatuses since the 1970s, and local states have become battlegrounds for competing nationally and transnationally oriented dominant groups. Transnational fractions of local elites and capitalist classes swept to power in the 1980s and 1990s in countries ranging from Sweden and New Zealand to India, Brazil, Mexico, Chile, South Africa, and so on. They clashed in their bid for hegemony with nationally based class fractions. They captured the "commanding heights" of state policymaking: key ministries and bureaucracies in the policymaking apparatus, especially central banks and finance and foreign ministries, as key government branches linking countries to the global economy. In the 1980s and 1990s transnational blocs became hegemonic in the vast majority of countries and set out to thoroughly transform their countries, using national state apparatuses to advance globalization and to restructure and integrate them into the global economy, establishing in the process formal and informal liaison mechanisms between the national state structures and TNS apparatuses. They set about to dismantle the old nation-state-based Keynesian welfare and developmentalist projects;

sought worldwide market liberalization, projects of economic integration such as the North American Free Trade Agreement (NAFTA), the Asia Pacific Economic Cooperation forum (APEC), and the European Union (EU); and promoted a supranational infrastructure of the global economy, such as the World Trade Organization (WTO).

In every region of the world, states, economies, and political processes are becoming transnationalized and integrated under the guidance of this new elite. In the process, what may very often appear to be clashes between nation-states may actually be clashes between national and transnational fractions in a globalized setting. The penetration of the global economy and the emergence of transnational fractions among dominant groups often sparks polarization and conflict between transnational and national fractions and groups on numerous levels. In countries where states were captured by popular classes or by national fractions of local dominant groups, such as Haiti, Nicaragua, South Africa, and elsewhere in the 1970s through the 1990s, the transnational elite has been able to use the structural power of the global economy to instill discipline and undermine policies contrary to globalization (Robinson 1996b).

Once they have been captured by transnational groups, national states internalize the authority structures of global capitalism; the global is incarnated in local social structures and processes. The disciplinary power of global capitalism shifts the actual policymaking power within national states to the global capitalist bloc, which is represented by local groups tied to the global economy. Hence, the accelerated concentration of capital and economic power around the TCC has profound effects on arrangements between existing social groups, class constellations, and political systems in every country of the world system. Political and economic power in each country and region tends to gravitate toward new groups linked to transnational capital and the global economy, either directly or through location in reorganized local state apparatuses.

The struggle between descendant national fractions of dominant groups and ascendant transnational fractions was often the backdrop to surface political dynamics and ideological processes in the late twentieth century. These clashes were played out in numerous sites, from electoral contests to disputes for leadership among national business associations and sometimes bloody infighting among ruling parties. To give one example, clashes of this type were behind the bloody Mexican power struggles of the 1990s within the Institutional Revolutionary Party (PRI), which had ruled the country for six decades. The "dinosaurs" in the power struggle represented the old bourgeoisie and state

bureaucrats, whose interests lay in Mexico's corporatist import-substitution-industrialization version of national capitalism. The new "technocrats" were the transnational fraction of the Mexican bourgeoisie, which captured the party, and the state, with the election to the presidency in 1988 of Carlos Salinas de Gortari. The Salinas de Gortari government set out to dismantle the old national capitalist system and to facilitate a sweeping integration of Mexico into the global economy.

The rise of transnational capital draws national capitalist classes into the vortex of the global economy. Globalization creates new forms of transnational class alliances across borders and new forms of class cleavages globally and within countries, regions, cities, and local communities in ways quite distinct from the old national class structures and international class conflicts and alliances. The diverse mechanisms that promote the transnationalization of capitalist groups include the spread of TNCs, the expansion of FDI, cross-national mergers, strategic alliances, the interpenetration of capitals, interlocking directorates, worldwide subcontracting and outsourcing, the extension of free-enterprise zones, and other economic forms associated with the global economy. Such new forms for the organization of globalized production are important because they contribute to the development of worldwide networks that link local capitalists to one another and generate an identity of objective interests and subjective outlook among these capitalists around a process of global (as opposed to local) accumulation.

One key question with regard to national/transnational fractionation is the relationship between globalization and the traditional fractionation of capital into industrial, commercial, and financial groups. The national/transnational axis may be seen as a second dividing line, superimposed on traditional capital fractionation. Finance capital has certainly become hegemonic. It is the most mobile and the most deterritorialized. By the late 1990s some $25 trillion in currency was being moved daily in global financial markets, and the daily turnover at the largest stock markets surpassed $1 trillion (Harris 1998–99, 23), compared with a daily world trade of only about $10 billion (so that real trade was only 1 percent of fictitious trade). In the 1970s and 1980s finance capital came to determine circuits of global accumulation; money capital rather than investment capital became the regulator of the global circuit of production. That is, those who controlled financial capital were able to exercise a, perhaps *the*, decisive influence over the structure of production and commerce worldwide. Transnational banks and investment firms, as well as central banks, held vast foreign

currencies and utilized diverse currencies for their worldwide transactions. There is thus little weight to the nation-state-centric argument that world political dynamics were shaped by struggles for the dollar's, the yen's, or some other currency's hegemony, as they were, for instance, in the pre-1913 period or immediately after World War II. The TCC and various national states acquired a vested interest in a stable global monetary system. In earlier periods finance capital had its basis in the nation-state, whereas it is now transnational. In Prabhat Patnaik's words, "Instead of several contending blocs of finance capital, we have one gigantic entity, of which finance capitals of specific countries are so many constituent elements" (1999, 56).

What accounts for these dramatic developments in the world financial system and for the apparent decoupling of financial from productive capital, phenomena without precedent, has been hotly debated. Clearly these phenomena are linked to technological change and to the possibilities opened up by informatics. They are probably also linked to cycles in world capitalism, in particular what are known as Kondratieff waves, or observed fifty-year cycles in capitalist economic history in which a period of expansion (the "A phase") is followed by a period of contraction (the "B phase"). The end of long cycles, such as the post–World War II boom, is characterized by an abundance of capital savings and accumulated surplus value expressed in the hegemony of money capital and financial speculation (Arrighi 1994). But for the purposes of analysis of the TCC, what is important is that the globalization process affects productive and commercial capital, and therefore it cannot be argued that class fractionation in the age of globalization is between mobile money capital, on the one hand, and "fixed" productive capital, on the other (with commercial capital somewhere in between). Referring to the increasingly globalization of commercial capital, the *Economist* reported in 1999, by way of example, that even giant mega-retailers "have caught globalization fever" and become involved not just in the transnational expansion by individual retailers but also in a wave of cross-border mergers and acquisitions (M&As) (1999, 59). In fact, the national/transnational axis cuts across money and commercial and productive capital such that all three are split internally along the axis (see, e.g., van der Pijl 1998, 53).

It is worth noting that most transnational units of production are simultaneously involved directly or indirectly in financial, productive, and commercial capital operations and investment. The rise of a TCC appears to involve a

greater degree of capital integration across these different fractions than was the case among national capitalists. We may best examine the phenomenon of global class formation from angles other than the traditional class analysis of fractions, such as from that of local versus global accumulation circuits and that of national- or territorial-bound class interests versus transnational or deterritorialized ones. Van der Pijl has argued that money interests have tended to manifest themselves in liberalism and cosmopolitanism, whereas productive capital has historically manifested itself in local and national planning; hence transnationalization has been led by money capital (1984, 1989). This may have been the case in earlier epochs of capitalism, but clearly central to globalization has been the fragmentation and global decentralization and dispersal of production, made possible in part by a new generation of science and technology and entailing the tendency toward the dissolution of "fixity" in productive capital. As has been amply documented, many previously nationally based industries, such as the auto, electronics, textile, and computer industries and even, in fact, service industries, are now thoroughly transnationalized (see, e.g., Dicken 1998; Howells and Wood 1993; and UNCTAD 1990–2001, *World Investment Report*). Moreover, money capital must "land" in production, which under globalization is increasingly impermanent and dispersed in mobile worldwide production sites exhibiting accelerated turnover (and hence decreased fixity) time.

Finally, let us not forget that if one set of conflicts was between fractions of dominant groups, a second was between subordinate groups and classes as globalization altered their traditional patterns of social mobilization, political identity, and livelihood. Popular class organizations and grass-roots social movements became sites of intense struggle between fractions as globalization created new cleavages and eroded earlier loyalties and identities, particularly those constructed on corporatist models of subordinate class incorporation characteristic of national capitalism in Latin America and other Third World zones. But the principal social contradiction in global capitalism is still between dominant and subordinate classes. Global elites have pursued their transnational agenda amid sharp social struggles and multiple forms of resistance from subordinate groups and also from dominant groups not brought into the emerging global capitalist bloc. Changing class structure, mass social dislocations, plummeting living conditions, growing inequalities, and the rise in absolute and relative poverty levels have been met by myriad instances of organization and resistance by popular sectors around the world.

Some Empirical Indicators of TCC Formation

Are capitalists transnational only in the sense that they span the globe with their economic power, or are they transnational in the sense that they are beginning to merge as a global bourgeoisie through corporate mergers, banking interests, and so on? I suggest that the former situation is an indicator of an international bourgeoisie, while the latter situation is an indicator of a transnational bourgeoisie. Internationalization occurs when national capitals expand their reach beyond their own national borders. Transnationalization occurs when national capitals fuse with other internationalizing national capitals in a process of cross-border interpenetration that disembeds them from their nations and locates them in new supranational space opening up under the global economy.

The boundaries of the TCC are indeterminate. Even though we can conceptually distinguish such a class, the point at which national classes become transformed into transnational classes is open to debate and depends upon the devices we construct to define the material bases of transnational classes. Empirical evidence on the rise of the TCC includes the spread of TNCs, the expansion of FDI, cross-national M&As, strategic alliances, and interlocking transnational directorates, as well as worldwide subcontracting and outsourcing, the extension of free-enterprise zones, and a number of other new economic forms associated with the global economy. Such new ways of organizing globalized production are important because, as noted previously, they contribute to the development of worldwide networks that link local capitalists to one another and generate an identity of objective interests and subjective outlook among these capitalists around a process of global (as opposed to local) accumulation. They therefore function as integrative mechanisms in the formation of the TCC and act to shift the locus of class formation from national to emergent transnational space.

In chapter 1 I offered some initial evidence of economic globalization, focusing on global FDI and trade patterns. Here I offer additional empirical evidence on the process of transnational capital interpenetration that constitutes the material basis for TCC formation. Let me state from the outset that the empirical data presented below do not prove the existence of a TCC. Instead, they point to a series of markers that strongly suggest that the process of transnational class formation is well under way among capitalists. The study of TCC formation requires ongoing methodologically diverse research as part of the

larger research agenda into globalization and transnational processes. Whereas the data presented below on transnationally interlocked TNC directorates and cross-border M&As may constitute *direct* indicators, the remainder of the data constitute *indirect*, or peripheral, indicators, on the basis of which I infer an underlying process of TCC formation.

The Spread of TNCs

A key indicator of the rise of the TCC and its agents is the spread of TNCs. There has been a tremendous amount of research on TNCs in recent decades, including a rapidly expanding body of literature on the remarkable growth in the number of TNCs worldwide and the range, size, and impact of their activities (see, e.g., Barnett and Mueller 1974; Dunning 1992, 1997; Hymer 1979; Ietto-Gillies 2002; Kindelberger 1969; and Korten 1995). TNCs play a key integrative role; at the same time their activities involve the dispersal of production and labor processes and organizational structures across the globe. TNCs embody the transnationalized circuits of capital and organize those circuits. Here they are defined as firms with headquarters in more than three countries, which distinguishes from multinational corporations. The ability of TNCs to plan, organize, coordinate, and control activities across countries makes them central agents of globalization and transnational processes. They are the institutional form in which global capital accumulation is organized, the embodiment of transnational capital. TNC activity *is* transnational capitalist activity; if not an indicator, in the strict methodological sense, of TCC formation, it is a powerful marker. TNCs constitute a major integrating agent in the creation of transnational social structures.

The number of TNCs increased from 7,000 in 1970 to 37,000 in 1993, 53,000 in 1998, and more than 60,000 by 2000, according to UNCTAD (1999, 3, and 2001, *World Investment Report,* 1; see also Castells 2000, 251–52). These TNCs accounted for some two-thirds of world trade. Similarly, the share of world GDP controlled by TNCs grew from 17 percent in the mid-1960s to 24 percent in 1984 and almost 33 percent in 1995 (UNCTAD 1996, 3). As of 2000 some 800,000 affiliates of TNCs produced goods and services with an estimated value of $7 trillion (UNCTAD 2001, *World Investment Report,* 1). The global value of TNC sales went from $2.5 trillion in 1982 to $5.4 trillion in 1990 and $15.7 trillion in 2000, and it was estimated that in 2000 the corporate foreign affiliates held assets valued at $21.1 trillion (UNCTAD 2001, *World Investment Report,* 2). It would be wrong to take the size of a cross-border enterprise as a measure of

transnationalization. In fact, as UNCTAD notes, "Despite the prominence of the top 100 (in terms of size), the universe of TNCs is quite diverse, and includes a growing number of small and medium-sized enterprises, TNCs from countries in Central and Eastern Europe that have only recently begun to engage in international production, and large TNCs based in the developing world" (*World Investment Report,* 2000, 101).

Since the mid-1990s UNCTAD has been constructing an index of "transnationality" that ranks the world's leading TNCs according to three ratios: foreign assets to total assets, foreign sales to total sales, and foreign employment to total employment. A company moves up the index from 0 to 100 as it becomes more transnational, that is, more spread around the globe; for example, a transnationality score of 50 would mean that one-half of the company's assets, sales, and employment roster are foreign. According to the index, the largest twenty-five TNCs scored a median transnationality of 59.9. The Swiss electronic corporation ABB had a score of 94.1; BMW, 60.9; Ford Motor Company, 36.1; General Electric, 36.7; IBM, 53.7; Mannesmann, 48.9; Nestle, 95.2; and Seimens, 56.8 (UNCTAD 2001, *World Investment Report,* 6). "The degree of transnationalization increased for both the top 50 TNCs and the top 25: from 37 percent in 1998 to 39 percent in 1999 in the case of the former; and from 26 percent to 32 percent in the case of the latter," reported UNCTAD. "The transnationality of the top 100 TNCs remained fairly stable at a high level (53 percent)" (UNCTAD 2001, *World Investment Report,* 5).

While the top TNCs employed *directly* 70 million workers worldwide, these workers produced one-third of the world's total private output (Castells 2000, 251). Local firms become incorporated into the transnational corporate structure through an array of mechanisms involved in FDI and TNC activity, including mergers, contracting and outsourcing arrangements, local marketing deals, and takeovers, among others. Although the point cannot be pursued here, it is worth noting that the spread of TNC networks foments transnational working-class formation just as it foments TCC formation. "The labor force located in different countries depends on the division of labor between distinct functions and strategies of these multinational networks," observes Manuel Castells. "Thus, most of the labor force does not circulate in the network, but becomes dependent on the function, evolution, and behavior of other segments in the network. This results in a process of hierarchical, segmented interdependence of the labor force, under the impulse of relentless movements by firms in the circuits of their global networks" (2000, 251–52).

Importantly, there has been a high degree of cross-investment between TNCs in the major capitalist countries (Dicken 1998, 45–46; Kang and Johansson 2000, 17), which indicates a high degree of interpenetration of "national" capitals in the process of TNC expansion. The developing world absorbed four-fifths of pre–World War II FDI through the old colonial "spheres of influence" structure of world order. But most FDI flows from the 1960s into the 1980s took place between core regions. Peter Dicken notes that not only is the world's population of TNCs growing very rapidly but "there has been a marked increase in the geographical diversity of its origins in ways which cut across the old international division of labor . . . virtually all developed economies have substantial outward *and* inward direct investment. . . . What these patterns imply, in fact, is a high degree of *cross-investment* between the major developed market economies" (1998, 45–46). This is important because the first pattern of international corporate expansion reflects a situation in which core *national* bourgeoisies were in rivalry, whereas the latter indicates a key mechanism in the transnationalization of these "national" bourgeoisies.

Cross-Border M&As

Until the 1980s most M&A activity occurred within national boundaries, but since then cross-border M&As have become one of the most important ways for firms to expand their activities transnationally (Dicken 1998, 222; Kang and Johansson 2000) and are an essential mechanism in the transnationalization process. M&As are one mechanism for the concentration of capital, occurring when an enterprise acquires control over the whole or part of the business of another enterprise. *Cross-border* in the case of mergers means the integration of capitals from at least two distinct countries. When it refers to an acquisition, it means that a given firm incorporates a foreign company, with its employees, managers, and "national" interests. Some cross-border acquisitions involve the merger of TNCs, but many entail the acquisition of national companies by TNCs, which draws local social forces into the transnationalization process.

The concentration and centralization of capital is a fundamental tendency of accumulation under capitalism. It is part of the very process of capitalist development and was an integral aspect in an earlier period of national class formation and the rise of national bourgeoisies. The great merger wave of the early twentieth century swept through every advanced capitalist country and was viewed at the time as representing a qualitatively new capitalist reality resulting in the concentration and centralization of *national* capitals, ever more cen-

tralized national conglomerates of capital competing against foreign rivals. It is estimated, for instance, that between a quarter and a third of all U.S. capital assets underwent consolidation in mergers in the years 1898–1902 alone. The mammoth merger of that period, the formation of U.S. Steel in 1901 under the financial guidance of the investment banking house of Morgan, fused 165 separate companies (Foster 2002, 5). Out of that earlier merger wave the age of competitive capitalism gave way to an age of corporate, or monopoly, capitalism, characterized by the consolidation of national corporations and the rise of powerful national capitalist classes. The *transnational* concentration of capital through global M&As has a similar importance for transnational class formation and the rise of a transnational bourgeoisie.

The value of cross-border M&As was relatively insignificant in 1980, a mere $6 billion, but it grew an astounding sixfold in the years 1991–98, from $85 billion to $558 billion, according to an OECD report. It then surpassed $1 trillion in 1999 (Renner 2000, 1; Thompson Financial Securities Data 2000, 1), as shown in Fig. 2.1. The number of cross-border M&A deals jumped from a mere 14 in 1980 to 510 by 1985; 3,516 in 1990; 6,571 in 1995; and 9,655 in 1999 (Thompson Financial Security Data 2000). Such M&As "must now be included among the fundamental mechanisms of industrial globalization," stated the OECD report, and includes "an explosion in, and geographic widening of, the number and value of mega-mergers" among well-known TNCs (Kang and Johansson 2000, 6).

Cross-border M&As have involved not just the most globalized sectors of the world economy, such as telecommunications, finances, and autos, but also mega-retailers, companies trading in primary commodities, petroleum, farming and foods, chemicals, steel, pharmaceuticals, and numerous services, from entertainment, media, and television to legal firms, insurance, management, and utilities. And although it was concentrated in Europe and North America, the merger wave also included a growing participation of capitals originating in Asia, Latin America, and elsewhere. Developing countries accounted for 27 percent of all M&A activity in 1991–98, and firms from developing countries themselves accounted for nearly 11 percent of outward cross-border M&As during the same period (Kang and Johansson 2000, 11–12). Moreover, global M&As also grew in size during the period, with the average size increasing almost fivefold, from $21 million to $104 million (Kang and Johansson 2000, 7). The transnational merger wave involved three types of mergers: *Horizontal* mergers brought together two or more companies competing in the same market (e.g., two automobile manufacturers or retail chains). *Vertical* mergers joined

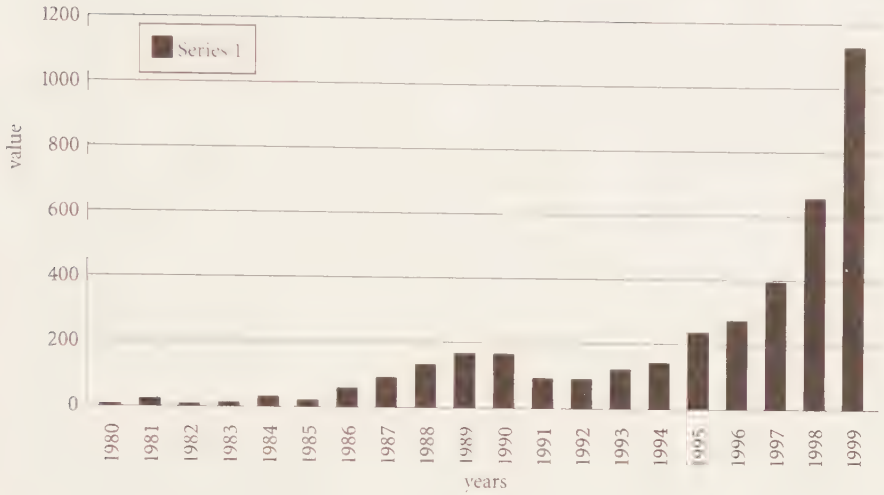

Fig. 2.1. Worldwide Cross-border Mergers, 1980–1999 (1998 dollars).

Source: Adapted from Thomas Financial Security Data 2000; and UNCTAD 1983–2000, *World Investment Report.*

companies at different stages of the same production chain or companies previously in a buyer-seller relationship (e.g., iron ore and steel). And *conglomerate* mergers brought together companies operating in unrelated industries (e.g., agribusiness and pharmaceuticals) (Du Boff and Herman 2001, 16).

Transnational M&As play a dominant role in increasing flows of FDI. The value of cross-border M&As in relation to world FDI rose from 53.7 percent in 1991 to 85.3 percent in 1997 (Kang and Johansson 2000, 14); that is, just over four-fifths of FDI was in M&As in 1997, with the remainder going to new or start-up investments. Of the total of $520 billion that flowed into the United States as FDI in 1991–98, a full 85.7 percent took the form of M&A investments (Kang and Johansson 2000, 17). Far from being "foreign" capital establishing itself in U.S. territory alongside "U.S." capital, the inflow of FDI was thoroughly globalizing economic activity inside the United States and in the process transnationalizing the class structure. Some of the largest cross-national M&As in the late 1990s were British Telecom and MCI (telecommunications); Daimler-Benz and Chrysler (autos); Dupont and Herberts (chemicals and paints); Alcatel and Motorola (phone and telecommunications equipment) and Alcatel's subsequent acquisition of DSC Communications; the acquisition of MCA by Seagram, which also purchased Vivendi in 2000 (entertainment); the purchase

of Marion Merrel Dow by Hoeschst (pharmaceuticals); the acquisition by the U.K.-based Zeneca Group Plc of the Swedish-based Astra (Kang and Johansson 2000, 8; UNCTAD 2000, *Research Note*, 12), which was renamed AstraZeneca (pharmaceuticals).

As this process deepens, transnational capital gains increasing control over every sector of the global economy, and transnational class formation accelerates. "Through international mergers, the nationality of firms is becoming ever more vague," concludes the OECD report on transnational M&As. "Multinational firms are more than ever footloose, with terms such as *home* and *host* countries becoming meaningless. The firms themselves have facilities and employees in diverse countries, serve many national markets and purchase supplies and components worldwide. They are showing less loyalty to particular countries and increasing resentment towards country-level regulations and restrictions which may hinder their activities" (Kang and Johansson 2000, 37–38).

In a report examining the implications for the corporate governance structure of cross-border M&As, Lucy Alexander and Sigrid Esser (2000) observe that "mergers and acquisitions have grown explosively in the 1980s and 1990s" (4). They note that the late-twentieth-century wave of M&As was different from earlier waves in that it was "driven by the pressures to compete globally" and "facilitated by deregulation and the growing liberalization of markets worldwide" (4). Cross-border M&As necessitate the establishment of governance structures in two or more legal and regulatory jurisdictions, increasing the pressure for a supranational legal and regulatory structure for the global economy (see chapter 3). At the same time, however, transnational firms can take maximum advantage of several different state jurisdictions—choosing, for example, between the most favorable tax environment and the best access to capital—in making such decisions as where to incorporate headquarters and establish distinct operations. "A cross border merger provides companies with an excellent opportunity to revisit long established governance structures and to pick the best of both worlds," explains Ralph Arnold, an executive of Aventis, a transnational pharmaceutical company formed out of the merger of the German firm Hoechst and the French firm Rhone-Poulenc. "That is exactly what we tried to do with Aventis" (quoted in Alexander and Esser 2000, 11).

The Conference Board, a peak global business association of firms from around the world that brings together senior executives from the major TNCs, notes in a report based on interviews with senior executives of companies that have undergone cross-border M&As that "most merging boards are made up

Table 2.1. Sampling of Cross-Border M&As, 1998–2000 (in $billions)

Year	Value	Acquiring Company	Home Country	Industry	Acquired Company	Host Economy
1999	60	Vodafone Group	UK	Telecommunications	AirTouch	US
1999	35	Zeneca	UK	Pharmaceuticals	Astra AB	Sweden
1998	41	Daimler-Benz	Germany	Motor vehicles	Chrysler	US
1999	13	Repsol	Spain	Oil and gas	YPF SA	Argentina
1999	22	Rhone-Poulenc	France	Chemicals	Hoechst AG	Germany
1998	48	British Petrol.	UK	Oil and gas	Amoco	US
1999	8	Japan Tobacco	Japan	Tobacco	RJ Reynolds	Netherlands
1999	8	Mannesmann	Germany	Metals	Olivetti-Telcom	Italy
1999	10	ABB AG	Switzerland	Electronics	ABB AG	Sweden
1999	13	Scottish Power	UK	Utilities	PacificCorp	US
2000	183	Vodafone	UK	Telecommunications	Mannesmann	Germany

Sources: for 1998 and 1999, UNCTAD, 2000, *World Investment Report;* for 2000, Du Boff and Herman 2001; 19.

of a combination of directors from the two old boards. Particularly in 'mergers of equals,' careful efforts are often made to make the new board as balanced as possible between the two organizations" (Alexander and Esser 2000, 14). In the case of Aventis, for example, the new management board was made up of two managers from Hoechst and two from Rhone-Poulene, with a German CEO. Clearly, cross-border M&As drive the transnationalization of corporate directorates. Table 2.1 shows a sampling of major cross-border mergers in 1998 through 2000.

My theory of global capitalism does not claim that competition and conflict among capitalists disappears in the globalization epoch. The notion of a peaceful cooperation among capitals from around the world is the "superimperialism" thesis of the early-twentieth-century socialist Karl Kautsky. My theory differs sharply from Kautsky's in a number of ways that I cannot take up here except to note that competition has driven capitalist dynamics and will continue to do so. Indeed, it is clear that growing competitive pressures drove the wave of cross-border M&As. Competition is just as fierce as it has ever been under capitalism, but the competitive pressures of the global economy, in which capitalists need to have a competitive edge in markets around the world, are

driving capitalists into mergers, acquisitions, and collaborative arrangements with capitalist groups around the world. Even in smaller companies and smaller industries the domestic-merger route may have become exhausted. Driven by the structural pressures of globalization to obtain access to resources or to secure a foothold in new markets opening up in the face of worldwide liberalization, capitalists who hope to succeed in the global economy must battle for scale. Companies now require substantial capital to keep up with the pace of technological change and to maintain a presence in local markets around the world.

The result is a the *transnational* concentration and centralization of capital, that is, the increasing centrality of transnational capital to the world capitalist system. The politics of this arrangement resembles less and less competition between national capitalist groups, expressed in earlier epochs as state rivalries, since these national capitalist groups turned to their states for assistance in acquiring a competitive edge over competitors from other nations. Transnational conglomerates now compete against each other. Transnational capitalist groups can and do turn to states to gain advantage in this competitive struggle, and states are indeed overwhelmed by the pressures placed on them by transnational capital. This new situation, in which states are subject to multiple pressures from competing capitalist groups that are now transnational as well as from national and regional capitals and from electorates and other constituencies, can lead to bewildering political dynamics and contributes to crises of state legitimacy.

Transnationally Interlocked TNC Directorates

Increasingly, the leading strata among the TCC have come to occupy a variety of interlocking positions within the global corporate structure. This situation parallels a similar one in an earlier period, when the rise of national bourgeoisies involved national-level interlocking directorates that congealed the objective links and the subjective identity of national bourgeoisies, as documented in a wealth of literature from political sociology on national power elites, ruling blocs, the inner circle, and so on (see, e.g., Domhoff 1998; Dye 1986; Mills 1959; and Useem 1984). The structure of transnational corporate ownership and control, including transnational corporate cross-affiliation, is an area ripe for research. The LexisNexis Group (2002), for instance, publishes an eight-volume, twenty-thousand-page "who owns whom" directorate of international public and private companies. Sifting through the massive volumes, one is left in awe at the seemingly endless webs of corporate cross-affiliations. Exploring

and analyzing the structure of the TCC is a massive research undertaking that has only just begun.

The Conference Board conducted a study in 1999 to determine the extent to which member firms were developing transnationally interlocking boards of directors. The study included affiliated TNCs from sixteen countries—Argentina, Australia, Brazil, Canada, Chile, France, Germany, Japan, Korea, Mexico, Singapore, South Africa, Spain, Sweden, the United Kingdom, and the United States. According to the findings, between 1995 and 1998 alone the percentage of companies with nonnational directors increased from 39 percent to 60 percent, and companies with three or more nonnational directors (given a median board size of ten directors) increased from 11 percent to 23 percent (Alexander and Esser 1999, 5). While 58 percent of firms from OECD countries had nonnational directors, a full 67 percent of firms from non-OECD countries did, including 60 percent of North American firms, 44 percent of Asia/Pacific firms, 43 percent of Latin American firms, 71 percent of European firms, and 100 percent of African firms (South Africa was the only African country included in the study).

"The survey found that the majority of non-national directors have been recruited in the last three years," stated the report. "Given that the number of board members in general has been decreasing, this suggests that non-national directors are gaining an influential role in boardrooms around the world" (Alexander and Esser 1999, 6). It went on to observe that a "global board of directors is necessary to deal with the risks and rewards of globalization" (9) and—echoing a similar conclusion of the OECD study on cross-border M&As, discussed above—that the new globalized economic and regulatory infrastructures "have provided additional legal security for international commerce, transforming companies into transnational entities without distinct national identification. Increasingly, staff and management are becoming as global as their business base—they are global citizens with local roots around the world" (10).

It should be recalled—and this is the case for transnational M&A activity as well—that the typical TNC, which transnationalizes its board of directors, is also interlocked with other TNCs from home or second countries and may also engage in diverse strategic alliances and informal collaborative and subcontracting arrangements with third firms (see below). In addition, each board member of a TNC typically sits on other corporate boards as well. Thus, the growing participation of nonnational board members is only one small part of the transnational interlocking of corporate boards. The German-based

Deutsche Telekom telecommunications firm is an example. Formerly a public company, it was privatized in 1996, and the German state still owns 50 percent of its assets. Listed on North American, European, and Asian stock markets, and with investors from around the world (the board includes one member each from the United States, Austria, Belgium, and France), in 1998 the company formed an alliance with France Telecom through which both companies acquired a 10 percent share in Sprint, a U.S.-headquartered network (Alexander and Esser 1999, 17). Thus, what on the surface appears to be a German company actually has a structure of ownership and management that inextricably entangles it in global corporate networks.

While the report of The Conference Board found that among companies with nonnational directors, manufacturing is the most globalized sector, with 82 percent of companies reporting nonnational directors, followed by nonfinancial services, with 61 percent (Alexander and Esser 1999, 5), a growing number of studies on transnationally interlocking directorates found the phenomenon to be spreading across all sectors (see, e.g., Mahoney 1999). Meindert Fennema, for instance, identified for the early 1980s an international network of interlocking directorates among the leading transnational banking and industrial firms (1982). More recently, Allen Berger and his colleagues found a steep rise in M&As among financial-service firms in the late 1990s, in step with the globalization of production facilities, commerce, and other services and in response, in part, to the demand for global financial services that this globalization generates (Berger et al. 2000).

Strategic Alliances

Yet another mechanism resulting in the interpenetration of capitals across countries is transnational strategic alliances among TNCs, and these alliances have experienced extraordinary growth. Strategic alliances encompass a wide range of links between firms short of outright mergers or acquisitions, including joint ventures, minority equity investments, equity swaps, joint research and development, production and marketing, technology sharing, long-term sourcing agreements, and shared distribution and services. According to another OECD report, such transnational strategic alliances among firms from two or more countries increased more than fivefold in 1989–99, and "these tend to be far larger than earlier partnerships in terms of scale and value" (Kang and Sakai 2000, 5). While the majority of these strategic alliances were among firms from OECD countries, in the 1990s there was a surge in alliance activities with

non-OECD countries from Asia, including China, and from Latin America. Alliances were formed across a broad range of sectors, from chemicals and pharmaceuticals to computers and electronic equipment and financial and business services. About one-half of these alliances were joint ventures; that is, two or more firms invested their capital in some shared operation, thereby developing a measure of organic integration beyond arm's-length cooperation.

Like M&As, strategic alliances are driven by heightened global competition, which increases the need for firms to achieve global economies of scale, strategic flexibility, marketing advantage, and so on. And as with M&As, the pattern of strategic alliances worldwide in recent decades has not been one in which "national" blocs of capitals formed alliances among themselves against other national blocs of capitals. Rather, oligopolist conglomerates bringing together capitalist groups from numerous countries and regions have competed with one another in the global economy. "Strategic alliances are now considered one of the most powerful mechanisms for combining competition and cooperation and for industrial restructuring on a global basis," observes the OECD report. "Cross-border alliance formation has followed increasing competitive pressures from more integrated global markets" (Kang and Sakai 2000, 6). Most telling is the fact that while strategic alliances, both domestic and transnational, increased more than sixfold during the 1989–99 period, more than two-thirds of all new alliances were across countries rather than within countries. "In each year of the 1990s, international partnerships linking firms from different national economies are always the majority of these alliances," noted the report. "International strategic alliances accounted for 66 percent of all alliances (numbering 62,000) between 1990–1999. On average, there are about two international strategic alliances for every domestic partnership, illustrating that globalization is a primary motivation for alliances" (Kang and Sakai 2000, 7).

Typical examples of transnational strategic alliances among major TNCs include the Du Pont–Sony partnership to develop optical memory storage products; the Motorola-Toshiba union to develop manufacturing processes for microprocessors; the General Motors–Hitachi partnership to develop electronic components for automobiles; the Fujitsu–Siemens joint venture for the manufacture and sale of computer products; and the "One World Alliance" of American Airways, British Airways, Canadian Airways, Cathay Pacific, Iberia, JAI, Quantas, and U.S. Airways to jointly service global air routes. The automobile industry provides a text case of the trend toward transnational alliances across industries. In recent years there have been about one hundred new al-

liances in the industry per year. About 80 percent of those in place in 1999 were cross-border alliances, the majority for joint manufacturing, indicating this sector's high degree of globalization (Kang and Sakai 2000, 24). Ford has held minority equity (25 percent) in Mazda since 1979 and increased this shareholding to 33.4 percent in 1996. General Motors and Isuzu formed an alliance in 1971, and the General Motors–Suzuki alliance began in 1981. Renault and Nissan formed an alliance that included plans for Renault to utilize a Nissan factory in Mexico to produce its own model. In 2000 Mazda started assembly of a Ford model in its factories. Daimler-Chrysler and Mitsubishi are similarly allied. And so on. In 1999 Russian firms formed eight alliances with Western partners, including General Motors, Ford, Renault, and Volvo. By that same year Chinese firms had entered into at least thirteen international alliances. Daimler-Chrysler, Ford, Honda, and Volkswagen formed an alliance in 1999 to jointly develop fuel cells (Kang and Sakai 2000, 24–27). Analyzing the ever-increasing global integration of the automotive industry, Nam-Hoon Kang and Sara Johansson observe that "the merger wave is affecting all parts of the automotive industry: vehicle companies, component suppliers and retail sectors, and is to a large extent taking place across national borders" (2000, 22).

Grazia Ietto-Gillies has shown in her 2002 study on TNCs and globalization how interfirm partnerships across national borders have escalated in recent years as internal links have deepened within different parts of the same company operation across countries as part and parcel of the restructuring of production worldwide along the lines of flexible accumulation. The result is an ever denser web of transnational corporate networks as a core integrating mechanism in the emerging global economy. Ietto-Gillies shows that "inter-firm partnerships are exercising a strong integrative function across frontiers," and "even stronger is the integrative role of cross-country internal networks to which the TNCs give scope" (35). Let us take an example. In September 2002 General Motors and the Russian auto company Avtovaz inaugurated a $340 million plant in Togliatti, Russia, to jointly produce a new sports utility vehicle, the Chevrolet Niva (Daniszewski 2002). This was especially significant because General Motor put in 41.5 percent of the venture capital, Avtovaz put in 41.5 percent, and 17 percent was held by the European Bank for Reconstruction and Development, which brought under its wing investors from several European countries. The vehicles were to be marketed not only in Russia but also in Europe, the Middle East, East Asia, and Latin America. Thus, both ownership and marketing were thoroughly transnationalized, including in ways not necessarily ap-

parent; for example, General Motors itself is partly owned by Japanese and European investors, who are therefore also indirect investors in the Russian plant. Moreover, marketing operations in Europe, the Middle East, Asia, and Latin America would draw in local commercial capitalists, parts producers, and so forth.

The reorganization of production along flexible lines from the mid-1970s on has been central to globalization, as we have seen. A wealth of studies have examined this new network structure of global capitalism (see, e.g., Castells 2000; Dicken 1998; and Ietto-Gillies 2002), characterized by the casualization of labor and less hierarchal, horizontally organized structures among firms. But what most interests us for the purpose of this study is the spread of diverse collaborative arrangements and interfirm partnerships because such arrangements are a major mechanism of class integration across national borders. Ietto-Gillies says that the boundaries of capitalist enterprises have become increasingly "fuzzy," conveying the idea that the boundaries between enterprises are not just indeterminate and blurred but have become more flexible and expanding in a variety of dimensions. The "fuzziness of the boundaries can, in fact, have *locational, organizational,* or *proprietary/asset ownership* dimensions" (2002, 41–42).

When Ietto-Gillies says that the transnational corporate structure is characterized by a *locational* fuzziness, she is referring to the shifting, indeterminate, and multinational locations of production activities, work forces, and customers. Organizational *fuzziness* refers to the indeterminate boundaries between a firm and its work force, given the spread of outsourcing, subcontracting, contract labor, homework, and so forth. And *proprietary/asset-ownership fuzziness* refers to the fact that increasingly companies acquire control of facilities and are involved in decentralized and far-flung production activities via partial as well as full ownership, as well as via complex new collaborative arrangements. All this is to say that if in the mid-twentieth century, where a firm was located, who it employed, who was in charge, and who owned it and controlled the production process was fairly clear, by the early twenty-first century this was by no means so. Our interest in the phenomenon of "fuzziness" should be fairly clear: national, locational, organization, and ownership boundaries that previously demarcated class groups have become increasingly blurred, and transnational production chains provide a much more expansive and fluid material basis for the transnational integration of class groups. Moreover, what may appear as local or national is often integrated with transnational networks in myriad ways.

New Global Economic Arrangements

The phenomenal spread since the late 1970s of diverse new economic arrangements, such as outsourcing, subcontracting, transnational intercorporate alliances, licensing agreements, local representation, and so on, parallels the proliferation of FDI, M&As, transnationally interlocking directorates, and strategic alliances and underscores another major aspect of the transnational linkage of capitals. These arrangements result in vast transnational production chains and complex webs of vertical and horizontal integration across the globe. According to Dicken,

> TNCs are also locked into *external* networks of relationships with a myriad of other firms: transnational and domestic, large and small, public and private. It is through such interconnections, for example, that a very small firm in one country may be directly linked into a global production network, whereas most small firms serve only a very restricted geographic area. Such inter-relationships between firms of different sizes and types increasingly span national boundaries to create a set of *geographically nested relationships from local to global scales.* . . . There is, in fact, a bewildering variety of interorganizational *collaborative* relationships. These are frequently multilateral rather than bilateral, polygamous rather than monogamous. (Dicken 1998, 223)

What this underscores is the increasing interpenetration on multiple levels of capitals in all parts of the world, organized around transnational capital and the giant TNCs. To reiterate the point I am hammering home: It is increasingly difficult to separate local circuits of production and distribution from the globalized circuits that dictate the terms and patterns of accumulation worldwide, even when surface appearance gives the (misleading) impression that local capitals retain their autonomy. Local and national capitals come under increasingly compulsion to "delocalize" and link to hegemonic transnational capital if they are to survive. As the global circuit of capital subsumes these local circuits through numerous mechanisms and arrangements, the local capitalists who manage these circuits become swept up into the process of transnational class formation.

The diverse new economic arrangements in the global economy have been associated with the transition, discussed in chapter 1, from the Fordist regime of accumulation to new, post-Fordist *flexible* regimes. As many have noted, the structural properties of the emerging flexible regimes are global in character, in that accumulation is embedded in global markets and involves global enterprise organization and sets of *global* capital-labor relations, especially dereg-

ulated and casualized labor pools worldwide (see, e.g., Hoogvelt 1997, 109–13). Competition dictates that firms must establish global as opposed to national or regional markets. As Ankie Hoogvelt shows, competition in the global economy increasingly compels them to operate full production systems in all three regions of the global triad (North America, Europe, and East Asia). The leading TNCs are becoming "multiregional" companies, operating multiple and integrated production as well as financial and commercial operations throughout the triad (Hoogvelt 1997, 109–13). These multiregional companies are emerging through the strategy of alliances, mergers, and other forms of integrative coordination among TNCs as a general transitionary form in the process of the transnational integration of capital.

Ietto-Gillies shows how the network structure of flexible accumulation offers advantages to firms with regard to greater control over production and labor, risk minimization and sharing, acquisition of knowledge and technology, market expansion, and flexibility toward fluctuations in demand.[3] As thousands of companies restructure and transnationalize in order to obtain these advantages and compete against rivals, the unintended collective outcome is the emergence of a global production system that has a recursive effect on transnational class formation. That is, the structures of the global economy come about as the unplanned outcome of strategic decisions taken by thousands of firms (i.e., by individuals who make decisions within firms), but these structures then present themselves to capitalists and other social agents as a reality conducive to further actions toward transnationalization.

TCC Formation in the Third World

It is in the Third World that transnational class formation is weakest and "national" bourgeoisies may still control states and organize influential political projects. However, even there transnational class formation is well under way. "The world's population of TNCs is not only growing very rapidly but also there has been a marked increase in the geographical diversity of its origins in ways which cut across the old international division of labor," notes Dicken. "The geographic structure of FDI has become far more complex in recent years, a further indication of increased interconnectedness within the global econ-

[3]Ietto-Gillies's study (2002) provides a good review of the extant literature and an analysis from an organizational approach of why capital transnationalizes and why this transnationalization takes the form of "externalization" (vertical disintegration and horizontal extension), fragmentation, and global dispersion.

omy" (1998, 45). FDI in developing countries has increased sharply. The average annual flows increased more than threefold from the early 1980s to the early 1990s for the world as a whole, while for developing countries it increased fivefold (ILO 1997, 2). National capitals in the South have themselves increasingly transnationalized by their own FDI and by integrating into global circuits of accumulation. In 1960 only 1 percent of FDI came from developing countries. By 1985 this figure had increased to about 3 percent, and by 1995 it stood at about 8 percent (Dicken 1998, 44). Southern-based TNCs had $51 billion invested abroad by that year (Burbach and Robinson 1999), and by 1997 the figure stood at $61 billion (Kang and Johansson 2000, 19).

The top fifty TNCs in the Third World augmented their foreign assets by 280 percent in 1993–1995, while those of the top one hundred corporations based in the core countries increased by only 30 percent (ILO 1997, xvii). "For the first time, three companies from developing countries (Hutchison Whampoa, Petroleos de Venezuela and Cemex) are among the world's 100 largest TNCs," observed UNCTAD in its 2001 report. "The transnationalization of companies is a phenomenon increasingly observed not only in developed countries but also in the developing world. The top 50 TNCs from developing countries—the largest of which are comparable in size to the smallest of the top 100 worldwide—originate in some 13 newly industrializing economies of Asia and Latin America as well as in South Africa" (UNCTAD 2001, *World Investment Report*, 5). The largest ten TNCs from developing countries scored a 30.7 on the UNCTAD transnationality index (UNCTAD 2001, *World Investment Report*, 7). Table 2.2 shows the twenty-five largest nonfinancial TNCs from the Third World in 1998, ranked by foreign assets.

While state petroleum companies clearly figure prominently among the largest Third World TNCs (e.g., Petroleos Venezuela, YPF, Petrobas, and Petronas), Leslie Sklair and Peter Robbins (2002) found, in an analysis of the lists for 1957–2001 of the world's largest corporations (based on revenue) published annually by *Fortune* magazine, that "Third World representation in the *Fortune* lists has been long-standing and wide ranging" (87). It is worth noting that forty-six Third World TNCs have been on the *Fortune* Global 500 list since 1995. This participation "has not been limited to a few companies and territories," according to Sklair and Robbins. "Specifically, between 1957 and 2001, 134 corporations engaged in 28 different industries, headquartered in 29 Third World countries and territories appeared in the *Fortune* lists" (87). They found, moreover, that contrary to popular perception, big business in the Third World

Table 2.2. The Twenty-five Largest Nonfinancial TNCs from the Third World, 1998 (ranked by foreign assets, in $billions, rounded)

Corporation	Home Country	Industry Assets	Foreign Assets	Total Assets	Foreign Sales	Total Sales
1. Cemex	Mexico	Construction	2	10	4	4
2. Petroleos Venezuela	Venezuela	Petroleum	8	49	11	26
3. Daewoo	South Korea	Trade	—	22	—	31
4. Jardine Matheson	Hong Kong/ Bermuda	Diversified	6	10	8	11
5. Petronas	Malaysia	Petroleum	6	26	4	11
6. Sappi	South Africa	Pulp and paper	5	6	3	4
7. Hutchinson	Hong Kong	Diversified	—	13	2	7
8. First Pacific	Hong Kong	Other	4	8	3	3
9. Sunkyong	South Korea	Diversified	4	4	12	14
10. Petrobas	Brazil	Petroleum	4	33	1	16
11. New World Dev. Co.	Hong Kong	Construction	3	13	1	3
12. State Construction Engineering	China	Construction	3	7	2	6
13. YPF	Argentina	Petroleum	3	13	1	6
14. LG Electronics	South Korea	Electronics	3	13	5	12
15. National Chemicals Imp/Exp.	China	Trade	3	5	8	14
16. Keppel Corporation	Singapore	Diversified	3	17	1	2
17. Comapnhia Vale do Rio	Brazil	Transportation	2	14	3	4
18. Hyundia Engineering & Construction	South Korea	Construction	—	7	—	4
19. Citic Pacific	Hong Kong	Diversified	2	9	1	2
20. Enersis	Chile	Electric utilities	2	16	1	3
21. Guandong Investment	China	Diversified	2	3	1	1
22. San Miguel	Philippines	Food/beverage	2	4	1	2
23. Samsung Electronics	South Korea	Electronics	—	17	—	17
24. Shougang Group	China	Steel/iron				
25. Barlow	South Africa	Diversified	2	3	2	4

Source: UNCTAD, 2000, *World Investment Report.*

is spread much more widely than FDI data indicate (the misconception is that transnationally oriented Third World capitalists are limited to those countries that receive the lion's share of FDI) and that Third World big business is not engaged mainly in the extraction of raw materials but in fact participates broadly in manufacturing and service industries as well. Sklair and Robbins concluded that (1) large corporations from the Third World are not restricted to certain countries, regions, or industries; (2) state ownership of these corpo-

rations is in decline; and (3) in some cases their activities "are beginning to approximate those of the large corporations of the First World . . . it appears that many Third World corporations are globalizing" (97).

Major groups among the bourgeoisie of countries such as Singapore, South Korea, Taiwan, Brazil, Chile, South Africa, and Mexico are becoming important "national" contingents of the TCC. South Korean and Taiwanese-based companies have not only moved into cheaper wage zones in Southeast Asia and Central America but also begun "South to North" relocations. In the first six years of the 1990s fourteen Korean companies invested a total of $2.6 billion in the United Kingdom alone (Hildyard, Hines, and Lang 1996, 35). In the mid-1990s twenty-four Mexican billionaires became world-class investors and major shareholders in leading TNCs, among them Del Monte Corporation, Apple, Microsoft, and invested abroad in media, cement and glass production, and so on (Burbach and Robinson 1999). These transnationalized fractions of local dominant groups in the South are "technocratic" elites in Latin America, Africa, and Asia, sometimes termed a "modernizing bourgeoisie," who have overseen sweeping processes of social and economic restructuring and integration into the global economy and society.

Meanwhile, each shock in the series of crises that wracked the global economy in the late twentieth and early twenty-first centuries, from Mexico to Asia, Russia to Brazil, tended to result in an accelerated transnational integration of local capitalists in affected countries into the ranks of the TCC. These crises brought into sharper relief the process of fractionation among local elites. For instance, the Asian crisis of 1997–98 led to a restructuring of many of the region's major corporations and economies that facilitated and advanced the consolidation of transnational capital. UNCTAD has shown that the value of cross-border M&As in the five Asian countries worst hit by the financial meltdown of the late 1990s escalated, their value in 1997–99 more than double what it had been in 1993–96. In other words, the crisis led to a rapid integration of local capitals into transnational capital networks. The *chaebol*, the powerful financial-industrial groups of South Korea, for instance, were compelled to sell off national assets to TNCs; at the same time they forged partnerships with corporations from other areas of the world (*Business Week*, 1998a). As Undersecretary of the Treasury Lawrence Summers stated in 1998, "In some ways the IMF has done more in these past months to liberalize these [Asian] economies and open up their markets to U.S. goods and services than has been achieved in rounds of negotiations in the region" (quoted in Bello 1998–99, 138).

Capitalist groups in different regions are related to one another, to local states, and to the globalization process in distinct ways. They exhibit different degrees and types of integration into globalized circuits of accumulation and different relations to local states, which are themselves in the process of transnationalization (see chapter 3). Clearly, TCC formation is an uneven, and an unevenly developed, process. Nonetheless, the rise of TNCs and transnational capitalist groups in the Third World belies the notion that the TCC is strictly a Northern bourgeoisie recolonizing the periphery. But this does *not* mean that North-South asymmetries are unimportant. I cannot take up this matter here, other than to refer readers to the argument I have developed at length elsewhere (e.g., Robinson 1998, 2001c, 2002c, 2003b) and to note that the new social hierarchies and forms of inequality emerging under globalization are increasingly organized and dispersed transnationally. The absolute number of the poor and dispossessed is growing in the North, while the absolute number of capitalists and high-consumption middle strata is growing in the South. It is clear, as Cox (1987) and others have noted, that center and periphery are increasingly social rather than geographical categories that denote location in the *transnational* social structure. At the same time, it is clear even from few existing studies on the global ruling class (e.g., Sklair 2001) that its membership is disproportionately male and disproportionately drawn from the dominant ethnic groups in each region. Transnational class formation unfolds through existing and new social hierarchies, forms of inequality, and relations of domination. The composition of the TCC (e.g., its gender and ethnic makeup) and the influence that diverse forms of inequality and domination have on its formation are important areas of research.

Toward a Transnational Hegemony

A New Global-Capitalist Historic Bloc?

The revival in recent years of the ideas of the early-twentieth-century Italian social theorist and socialist revolutionary Antonio Gramsci has brought some of the central notions of Gramscian thought into the mainstream of social theory and practice. Such Gramscian concepts as hegemony and historic blocs have opened up new directions in research in such areas as political sociology, international relations, cultural studies, and history and development and are tremendously useful for comprehending emergent transnational phe-

nomena. Gramsci's historic formulation that "international relations [the character of the international system] flow from social relations" (Gramsci 1971, 176) has been developed by the neo-Gramscian, or Italian, school of international relations, for instance, into the edict that changes in social structure lead to modifications in state-society relations and in transnational social relations conceived as distinct from the historically specific form of national exchanges. Globalization pressures modify all national social structures and institutions in such a way that they become transnationalized. Crucial here are Gramsci's concept of hegemony as consensual domination and his focus on civil society as the locus of hegemony and on the "extended state," comprising both political and civil society, as the axis of social structure. I revisit these Gramscian concepts and their relevance for my theory of global capitalism in more depth in chapters 3 and 4.

A social structure of accumulation is a set of mutually reinforcing social, economic, and political institutions and cultural and ideological norms that fuse with and facilitate a successful pattern of capital accumulation over specific historic periods (Kotz, McDonough, and Reich 1994). The particular local social structures of accumulation that developed during the nation-state phase of world capitalism often took the form of corporatist, welfare, and developmentalist projects, as I discussed earlier, all predicated on a redistributive logic and on incorporation of labor and other popular classes into national historic blocs. As models of accumulation corresponding to national capitalism eroded under the thrust of globalization, the Keynesian social structures of accumulation and the class alliances and arrangements between dominant and subordinate groups they embodied began to break down. "Although there is no guarantee that a successful new social structure will emerge, if one does it will reflect the alignment of class forces and other social influences that produce it," note David Gordon, Richard Edwards, and Michael Reich (1994). "Thus the rise of a new social structure of accumulation depends upon the previous downswing and more specifically on the concrete historical conditions that the period of the downswing bequeaths to the major classes" (20).

Although the general conditions of the Keynesian social structure of accumulation—rising real wages, broad employer obligations, a state-sponsored social wage, and so forth—stabilized post–World War II accumulation in the upswing, they became a fetter on profit making and accumulation with the onset of world economic crisis in the 1970s. As capital became liberated from the nation-state and assumed tremendous new power relative to labor with the

onset of globalization, national states shifted from reproducing Keynesian social structures of accumulation to servicing the general needs of the new patterns of global accumulation and the TCC, involving a rollback of redistributive projects. In the United States and other core countries this spelled the end of the Fordist era. In the Second World it spelled the rise of transnationalized fractions among aspiring elites, who began to liaise with the global bourgeoisie and articulate a project for full (re)integration into world capitalism. In the Third World, the nationalist bourgeoisie, the petite bourgeoisie, and revolutionary regimes became displaced by transnationalized fractions of local elites as multiclass developmentalist projects unraveled. Capital began to jettison earlier reciprocal obligations to labor from the 1970s on precisely because the process of globalization had allowed to it break free of nation-state constraints. In this new capital-labor relation labor is increasingly only a naked commodity, no longer embedded in relations of reciprocity rooted in social and political communities, which have historically been institutionalized in nation-states. Each laborer is expected to negotiate him- herself as a commodity, to become a seller "freed" from political or social constraints, an "entrepreneur" of him- or herself as the owner of a commodity. The newfound power of transnational capital helped it in its efforts to mold a global social structure of accumulation highly favorable to its interests. As the social structure becomes transformed and transnationalized in each region of the world, a new global social structure of accumulation becomes superimposed on and transforms existing national social structures. The new global social structure of accumulation has mutually reinforcing economic, political, and cultural norms (see below).

The TCC is in the process of constructing a new global capitalist historic bloc. This new global ruling bloc comprises various economic and political forces led by the TCC whose politics and policies are conditioned by the new global structure of accumulation and production. It is the logic of *global* accumulation, rather than of *national* accumulation, that guides the political and economic behavior of this ruling bloc, henceforth referred to as the *globalist bloc.* At the center of the globalist bloc is the TCC, made up of the owners and managers of the TNCs and other capitalists around the world who manage transnational capital. The bloc also includes the elites and the bureaucratic staffs of the supranational agencies such as the International Monetary Fund (IMF), the World Bank (WB), and the WTO. The historic bloc also brings together major forces in the dominant political parties, media conglomerates, and technocratic elites and state managers in both North and South, along with

select organic intellectuals[4] and charismatic figures who provide ideological legitimacy and technical solutions. The world politics of this new global ruling class is less driven than were the national ruling classes by the flux of shifting rivalries and alliances played out through the interstate system. Below this transnational elite is a small, shrinking layer of middle classes who exercise very little real power but who, pacified by mass consumption, form a fragile buffer between the transnational elite and the world's poor majority. We can thus speak of a historic bloc in the Gramscian sense as a ruling coalition and a social base in which one group (the TCC) exercises leadership and imposes its project through the consent of those drawn into the bloc. Those from the poor majority who are not drawn into this hegemonic project either through material mechanisms or ideologically are contained or repressed.

The globalist bloc is loosely constituted, and the TCC constantly faces new challenges and difficulties in trying to secure its leadership and reproduce hegemony. A necessary condition for the attainment of hegemony by a class or class fraction is the supersession of narrow economic interests by a more universal social vision or ideology and the concrete coordination of the interests of other groups with those of the leading class or fraction in the process of securing their participation in this social vision. The narrow interests of transnational finance capital (currency speculators, bankers, portfolio investors, etc.) seemed to hold out the prospect of frustrating a hegemonic project. In addition, a unified social vision has been difficult to secure because distinct sectors of the TCC often sought different and even conflicting solutions to the problems of global capitalism based on the historical experiences of their regional systems. There has been considerable strategic debate, as well as tactical differences, within the ranks of the TCC, in particular increasing splits and factional disputes. Here *faction* is distinguished from *fraction,* as defined earlier, and refers to clusters that are drawn together in pursuit of shared political objectives in diverse specific settings.

How, then, do we conceive of hegemony in the emerging global order? For realists, world-system analysts, and Marxists, hegemony is inextricably tied up with state power, and state power is conceived in terms of the nation-state. The

[4]Antonio Gramsci developed the concept of organic intellectual to refer to the relation of intellectuals to the dominant classes and also to the subordinate classes. Organic intellectuals are seen in the Gramscian concept as doing the thinking and theorizing for class groups, as well as working out technical solutions to problems, developing programs and plans of action, and so forth. My concern here is with the former, and in particular with the role of intellectual strata in developing a relatively coherent world-view in the function of domination (see Gramsci 1971).

logic of a competing nation-state system as the basis for analyzing world dynamics leads analysts to search for hegemony in some type of nation-state configuration in the new global order. The world-system approach to hegemony focuses on successive *state hegemons*. Looking back, one sees that the baton was passed from the Italian city-states to Holland, Great Britain, and then the United States. The predominant view now seems to be that an East Asian hegemony is emerging (Arrighi and Silver 1999; Frank 1998). For its part, the Italian school focuses on a succession of *hegemonic projects*, from the liberal international economy (1789–1873) under British leadership to an era of rival imperialisms (1873–1945) and then the post–World War II era of Pax Americana under U.S. leadership (Cox 1987, 109). I maintain, in contrast, that the baton is being passed to an emergent transnational hegemonic configuration. We are witness to an emerging transnational hegemony in a process that is contested and far from finished, the emergence of a new historic bloc that is global in scope and based on the hegemony of transnational capital. This proposition has been challenged by those who point to the dominant role of the United States in world affairs as proof of a nation-state-based world order under U.S. hegemony. I suggest that an interpretation that sees the U.S. state as playing a leadership role on behalf of a transnational hegemony is a more satisfactory explanation than one that advances "U.S." interests. I discuss this theme in some detail in the next chapter.

The Transnational Elite Agenda: The TCC's Global Politics "from Above"

As the transnational ruling bloc emerged in the 1980s and 1990s it carried out a "revolution from above," involving modifications made from above in global social and economic structures through the agency of TNS apparatuses (see chapter 3).[5] This "revolution from above" was aimed at promoting the most propitious conditions around the world for the unfettered operation of the new global capitalist production system. Global restructuring, the "Washington consensus" (Williamson 1993), or what has come to be know as *neoliberalism*, is a doctrine of laissez-faire capitalism legitimated by the assumptions of neoclassical economics and modernization theory, by the doctrine of comparative advantage, and by the globalist rhetoric of free trade, growth, efficiency, and prosperity (see Went 2002, chap. 2). Global neoliberalism has involved twin

[5]On the issues raised in this section, see, e.g., Robinson 1996a, 1996b, 1997, 1998–99, 1999.

dimensions, rigorously pursued by global elites with the backing of a powerful and well-organized lobby of TNCs. One is worldwide market liberalization and the construction of a new legal and regulatory superstructure for the global economy. The other is the internal restructuring and global integration of each national economy. The combination of the two is intended to create a "liberal world order," an open global economy and a global policy regime that breaks down all national barriers to the free movement of transnational capital *between* borders and the free operation of capital *within* borders. The neoliberal model thus generates the overall conditions for the profitable ("efficient") renewal of capital accumulation through new globalized circuits and facilitates the subordination and integration of each national economy into the global economy. This process parallels the nation-building stage of early capitalism, in which an integrated national market was constructed with a single set of laws, taxes, currency, and political consolidation around a common state. Globalization is repeating this process, but on a world scale.

Worldwide market liberalization accelerated dramatically with the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations in the 1980s, which established a sweeping new set of world trade rules to regulate the new global economy. In the period 1948–94, 109 regional trading arrangements were negotiated worldwide. The WTO, created in 1995, following the Uruguay Round, was perhaps the most potent symbol of the liberalized global economy. With its independent jurisdiction and unprecedented powers to enforce the GATT provisions, it was the first supranational institution with a coercive capacity embedded not in any particular nation-state but rather directly in transnational functionaries and the transnational corporate elite. Table 2.3 shows the movements toward opening up each country to transnational capital, one indicator of the creation of a single unified field for global capitalism.

Alongside this world market liberalization, economic restructuring programs have swept the majority of countries in the world. These programs, designed in the 1970s and 1980s by the international financial agencies and the think tanks of the emerging transnational elites and accompanied by a new, neoliberal development discourse (Cox 1979; Fishlow et al. 1978; Gelinas 1998; Williamson 1993), sought to achieve within each country the macroeconomic equilibrium and liberalization required by transnationally mobile capital and to integrate each nation and region into globalized circuits of accumulation. The neoliberal model of development attempted to harmonize a wide range of fiscal, monetary, industrial, labor, and commercial policies among multiple

Table 2.3. Changes in National Regulatory Regimes, 1991–2000

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Countries introducing changes in investment regimes	35	43	57	49	64	65	76	60	63	69
Regulatory changes										
Total	82	79	102	110	112	114	151	145	140	150
More favorable to FDI	80	79	101	108	106	98	135	136	131	147
Less favorable to FDI	2	0	1	2	6	16	16	9	9	3

Source: UNCTAD 2001, *World Investment Report*, 12.

nations so that fully mobile transnational capital would be able to function simultaneously, and often instantaneously, across numerous national borders. These structural adjustment programs, often known by their acronym, SAPs, called for the elimination of state intervention in the economy and the regulation by individual nation-states of the activities of capital in their territories. In the years 1978–92 more than seventy countries undertook 566 SAPs and stabilization programs imposed by the IMF and the WB (George 1992, xvi). These programs became the major mechanism for adjusting local economies to the global economy. What took place through these programs was a massive restructuring of the productive apparatus in these countries and the reintegration into global capitalism of vast zones of the former Third and Second Worlds under the tutelage of the emergent TNS (see chapter 3).

In the neoliberal model, stabilization, or the package of fiscal, monetary, exchange, and related measures, is the first phase, intended to achieve macroeconomic stability. Stabilization is followed by a second stage, "structural adjustment," which includes liberalization of trade and finances, which opens the economy to the world market; deregulation, which removes the state from economic decision making; and privatization of formerly public spheres that could hamper capital accumulation if criteria of public interest over private profit remain operative. Grounded in the assumptions of neoclassical economics, the neoliberal model is justified by the need to generate a trade surplus in order to accommodate debt service payments and reduce trade deficits, the alleged "inefficiency" of the public sector, and the need to control inflation, close budget deficits, and restore fiscal solvency and macroeconomic equilibrium. Trade lib-

eralization and a reallocation of resources to the external sector are intended to increase exports and by definition result in a process of rearticulation and integration into the global economy. This opening to the world market is accompanied by the privatization of "inefficient" public sectors and internal liberalization, such as deregulation of financial systems and labor laws, in order to attract investment and allocate resources "efficiently." Fiscal solvency is to be achieved through austerity programs involving expenditure reductions and revenue increases, which usually entails cuts in social programs, regressive taxes on consumption, the elimination of subsidies, public-sector layoffs, and an increase in interest rates (see Gelinas 1998).

Notwithstanding the ideological claims of its promoters, the neoliberal model is driven, more pragmatically, by the breakdown of the earlier Keynesian-redistributive, nation-state-based accumulation strategies in the face of transnationalization and the need for a renovated policy regime capable of facilitating the new global model. Indeed, in the larger context, disequilibrium itself is a consequence of the breakdown of earlier national accumulation structures. The neoliberal program is rational vis-à-vis the *logic* of global capital accumulation.[6] The model generates the overall conditions for the profitable ("efficient") renewal of capital accumulation. Internal conditions of profitability are determined by compatibility between the local environment and the global. Adjustment creates the policy environment, and the market signals for a shift in resources to external sectors. Economic reactivation in each adjusted country is achieved through the introduction or expansion of activities linked to the global economy and the integration of "national" accumulation circuits into globalized circuits. However, from the viewpoint of a broader *social logic* the model is irrational. With few exceptions, neoliberal adjustment results in a fall in popular consumption and social conditions, a rise in poverty, immiseration, and insecurity, "food riots," heightened inequalities, social polarization and resultant political conflict.[7]

Synchronizing each national economic environment with an integrated global economic environment, neoliberalism is the policy "grease" of global

[6]This is why the works of well-known economists who explain and defend neoliberalism from a neoclassical theoretical perspective are not merely "wrong" or ideological in the narrow sense. Well-known studies are, *inter alia*, Balassa 1981, 1989; Choski and Papageorgiou 1986; Kruger 1978; Sachs 1989; and Williamson 1990.

[7]For accounts of neoliberal adjustment and these effects in Latin America, see Green 1995; and for Africa, see Cheru 1989. On the social effects of restructuring, see Chossudovsky 1997; and Cornia, Jelly, and Stewart 1987.

capitalism. It keeps the gears of the system in harmony with one another. Greased by neoliberalism, global capitalism tears down all nonmarket structures that have in the past placed limits on, or acted as a protective layer against, the accumulation of capital. Nonmarket spheres of human activity—public spheres managed by states and private spheres linked to community and family—are broken up, commodified, and transferred to capital. By peeling back and making accessible to transnational capital every layer of the social fabric, neoliberalism disembeds the global economy from global society, and the state cedes to the market as the sole organizing power in the economic and social sphere. Nonetheless, the economic and the political merge here in a broader project of hegemony. Restructuring gives an immanent class bias to agents of the external sector. These agents tend to fuse with political managers of the neoliberal state and to coalesce gradually, in a process checkered with contradictions and conflict, into a transnationalized fraction of the elite. This local elite is expected to become hegemonic and to construct new national "historic blocs" that tie local social order to transnational order.

By the early 1990s global elites had achieved what appeared to be a veritable Gramscian consensus on the neoliberal project. It was indeed a consensus in that it represented a congruence of interests among dominant groups in the global system; these interests were being advanced through institutions that commanded power (the world's national states and the TNS apparatus); and it had achieved ideological hegemony by setting the parameters for, and the limits to, debate among subordinate groups around the world on options and alternative projects. In this sense, the "Washington consensus" reflected the emergence of the new global capitalist historic bloc under the leadership of a transnational elite. By the close of the century, however, cracks in the consensus had become apparent in the face of the deep social contradictions generated by the model. Having achieved initial adjustment around the world, neoliberalism may prove to be a transitory feature of global capitalism, an issue I return to in the concluding chapter.

But the transnational agenda also had an explicitly political component. If the economic component was to make the world available to capital, the political component was to "make the world safe for capital." As I have analyzed at considerable length in earlier research, developing social control systems and political institutions most propitious for achieving a stable world environment revolved around the promotion of "democracy," or what is more accurately called *polyarchy* (Robinson 1996b, 2000b). *Polyarchy* refers to a system in which

a small group actually rules, and participation in decision making by the majority is confined to choosing among competing elites in tightly controlled electoral processes. This "low-intensity" democracy does not involve power *(cratos)* of the people *(demos)*, much less an end to class domination or to *substantive* inequality, which is growing exponentially under the global economy. Transitions to polyarchy should be seen in light of the changing nature of transnational social control under globalization.

The crisis of elite rule that had developed throughout the Third World in the 1970s and 1980s, in the context of globalization, was resolved through transitions to polyarchies. What transpired in these contested transitions was an effort by transnational dominant groups to reconstitute hegemony through a change in the mode of political domination, from the coercive systems of social control exercised by authoritarian and dictatorial regimes to more consensually based systems of the new polyarchies. At stake was the type of social order that would emerge in the wake of authoritarianism: the emergent global capitalist order or some popular alternative. Masses pushed for a deeper popular democratization, while emergent transnationalized elites, who had behind them the structural power of the global economy and the inordinate political and ideological influence that this brings and who often counted on direct U.S. political and military intervention, were able to gain hegemony over democratization movements and steer the breakup of authoritarianism into polyarchic outcomes.

Polyarchy has been promoted by the transnational elite as the political counterpart to neoliberalism. Interaction and economic integration on a world scale are obstructed by authoritarian or dictatorial political arrangements, which are unable to manage the expansive social intercourse associated with the global economy. Authoritarian systems have tended to unravel as globalizing pressures broke up embedded forms of coercive political authority, dislocated traditional communities and social patterns, and stirred masses of people to demand the democratization of social life. The demands, grievances, and aspirations of the popular classes tend to become neutralized less through direct repression than through ideological mechanisms, political cooptation and disorganization, and the limits imposed by the global economy. While it mediates interclass relations, polyarchy is also a more propitious institutional arrangement for the resolution of conflicts between dominant groups. With its mechanisms for intra-elite compromise and accommodation and for hegemonic incorporation of popular majorities, polyarchy is better equipped in the new global environment to

legitimize the political authority of dominant groups and to achieve a sufficiently stable political environment under the conflict-ridden and fluid conditions of emergent global society for global capitalism to operate.

The universal imposition of economic, or "market," discipline as the principal worldwide means of social control has tended to substitute extra-economic or political discipline exercised by states as sites of direct social control. Transitions to polyarchy are in this sense adjustments of the political structure to the economic changes brought about by capitalist globalization. The emergence of global networks of accumulation requires stable rules for economic competition, which new capitalist and professional sectors are eager to construct, while excluding the rest of the population from meaningful participation in economic and political life. The "democratic consensus" in the new world order is a consensus among an increasingly cohesive global elite on the type of political system that is most propitious to the reproduction of social order in the new global environment. Indeed, it is the structural power of global capitalism to impose discipline through the market that (usually) makes unnecessary the all-pervasive coercive forms of political authority exercised by authoritarian regimes. The shift from authoritarianism to polyarchy as the dominant form of political authority in much of the world represents a shift from coercive to consensual forms of social control at the transnational level, or in the Gramscian sense, the shift to global hegemony.

In the aggressive pursuit of its project the TCC conducted prolonged ideological campaigns aimed at legitimating the dismantling of welfare and developmental states and at disseminating a global capitalist ideology of consumerism and individualism. It forged opportune alliances, in some cases with forces of the right and the far right, and the subaltern classes organized into right-wing populism. This was the case with the conservative forces in the Republican Party identified with Ronald Reagan in the early 1980s, behind whose right-wing populist rhetoric were powerful representatives of transnational capital. In other cases the TCC entered into coalitions with left-of-center, progressive, and even leftist forces that provided a legitimacy for austerity and economic restructuring or that have been able to exercise a social control that the TCC and its local agents could never have achieved. This may be the case, for instance, with the African National Congress in South Africa, socialists and communists in Europe, and former revolutionary movements in Central America.

This brief analysis of transnational hegemony is not complete without some

words on culture, which is central to any hegemonic project. The terrain of culture is an important battleground in the struggle over transnational hegemony. The cultural component of the transnational project is the implacable promotion of a culture of consumerism, individualism, and competition, diffused through mass communications and advertising (Robinson 1996b; Sklair 1995). Of course cultural symbols are also created and appropriated by the oppressed. Culture can and does subvert as much as it dominates. Cultures of resistance have developed around the world and are crucial to a counterhegemonic project, as I discuss in the concluding chapter.

Social life is shaped by the ongoing contestation of shifting and contradictory cultural influences. The entire terrain of culture is a raging, constantly shifting battlefield. But to say this is not to contradict the equally valid observation that global capitalist culture has achieved a certain hegemony. The destruction and atomization of daily life under the juggernaut of commodification and the heightened reliance on strictly economic compulsion makes cultural domination more resilient in the new era. Consumerism and individualism imbue mass consciousness at the global level and eclipse nationalist and developmentalist ideologies. Here, global capitalist culture has a latent social-control function. Consumerism channels mass aspirations into individual consumer desires, though induced wants will never be met for the vast majority of humanity. Competitive individualism legitimates personal survival, and whatever is required to achieve it, over the collective well-being. The culture and ideology of global capitalism thus work to depoliticize social behavior and preempt collective action aimed at social change by channeling people's activities into a fixation on the search for individual consumption and survival and into the hope, however remote, of upward mobility. The spread of a homogenous consumer culture and the "spirit of individualism" it brings justifies social differentiation and also acts as a mechanism of social control by deflecting attention away from collective demands for social justice and toward the individual and competitive pursuit of consumption. Cultural hegemony clearly plays an increasingly important role in maintaining the cohesion of the global capitalist order. This is particularly so given the greater cultural cohesion among national elites in the world setting as their transnational identities overshadow their national ones and the destructuring and atomization of daily life as commodification leaves no stone unturned. The heightened reliance on strictly economic compulsion to maintain social control makes cultural domination more effective.

The Transnational State

"Within the next hundred years . . . nationhood as we know it will be obsolete; all states will recognize a single, global authority. A phrase briefly fashionable in the mid-20th century—'citizen of the world'—will have assumed real meaning by the end of the 21st century." Thus declared President Bill Clinton's Deputy Secretary of State, Stobe Talbot, in 1992. He continued, "All countries are basically social arrangements, accommodations to changing circumstances. No matter how permanent and even sacred they may seem at any one time, in fact they are all artificial and temporary" (Talbot 1992, 70). In fact, it became fashionable for writers on globalization in the late twentieth century to produce quotes from top-level global capitalists on their views regarding the "end of the nation-state" and the stateless corporation. Remarks to this effect, such as the following one by Karl A. Gerstacker, CEO of Dow Chemical, abounded: "I have long dreamed of buying an island owned by no nation and of establishing the World Headquarters of the Dow Company on the truly neutral ground of such an island, beholden to no nation or society" (quoted in Buchanan 1998, 105). In an equally oft-cited remark, Gilbert Williamson, president of the NCR Corporation, affirmed, "We at NCR think of ourselves as a globally competitive company that happens to be headquartered in the United States" (quoted in Buchanan 1998, 99). Now, if, as I insisted in chapters 1 and 2, the hegemonic fractions of capital on a world scale have become transnationalized, increasingly detached from particular territories and from the old political and social projects of nation-states, does this not imply that they are stateless? But are TNCs really *state*less, or are they *nation*less? Are *state* and *nation* the same thing? I attempt to answer these questions in the present chapter, but first I want to approach the matter from a different angle, posing another set of questions with regard to the TCC and its agency.

I established in the previous chapters that the TCC is dominant economically in the sense that it controls the "commanding heights" of the global economy. But is it also dominant politically? The economically dominant class in a

society is not necessarily the political ruling class; that it is (or is not) must be demonstrated. A closely related question is, to what extent does it act collectively as a class in the exercise of power? In what sense and to what degree can the TCC be shown to be a global ruling class? There is a long debate in the literature of the social sciences, a debate that it is not possible to take up here, on "collective actors" and on whether classes can be collective actors (but see, e.g., the discussion in Hindess 1987). My view is that classes *are* collective actors. I try to show here that the TCC, in part by virtue of its position as an "organized minority" and the resources and networks at its disposal for coordination, works through identifiable institutions and is fairly coherent as a collective actor.

In this chapter I shift the focus of inquiry from the economic dominance of transnational capital to possible forms of its political rule. I further develop my earlier proposition that a TCC has emerged as a class fraction of the world bourgeoisie and that this TCC is in the process of achieving its rule or becoming a global ruling class. I introduce the concept of a transnational state (TNS) and link this concept to that of the TCC. I argue that the rise of a TNS apparatus is an integral dimension of global capitalism. The emergence and consolidation of the global economy and the rise of a politically active TCC cannot be understood apart from the TNS. The TCC has articulated economic interests with political aims in pursuing the globalist project of an integrated global economy and society, what I referred to in the previous chapter as the transnational elite agenda, aimed at creating the conditions most propitious for global capitalism to function. And it has advanced that agenda through the institutions of a TNS apparatus.

I have emphasized throughout this study the importance of looking at both structure and agency, or the objective and subjective sides of social life. I believe it is absolutely necessary to examine these two dimensions in their interrelation if we are to understand the social world. By the *objective*, recall, I mean forces that are beyond the level of individual wills and consciousness. Our very existence requires that everyone participate in the economy independent of their will or their understanding of economic institutions. These economic forces, which shape our lives whether or not we are aware of them, constitute an objective dimension of our existence. By the *subjective* I mean our consciousness of the reality in which we are immersed and our actions in the world based on our conscious understanding and "free" will. Earlier I observed that class formation is both an objective and a subjective process, involving structural and agency levels of analysis. In the previous two chapters I emphasized

the objective dimensions of global capitalism and the TCC, focusing on the objective determinants of the process in the productive structure, and found that the transnationalization of the production process was key. In this chapter I want to focus some attention on the more subjective dimensions involved in capitalist globalization and the formation of a TCC. Examining the rise of a TNS apparatus allows us to uncover collective agency in the process of capitalist globalization, to identify crucial political and institutional dimensions of the process.

An analysis of the power of the capitalist ruling class must take into account the state and the political process. But we can proceed to analyze, first, the economic-material determination of the TCC as embodied in transnational capital, as we did in the previous chapter, and second, the exercise of its class power as expressed in TNS apparatuses, to which I now turn. The social power of groups is grounded in control over wealth (the means of production and the social product) but is always exercised through institutions. Political sociologists and political scientists have long noted that a dominant class exercises its rule through political institutions, whose higher personnel must represent the class, as far as possible unifying its actions and reinforcing its control over the process of social reproduction. With regard to globalization and the TCC, this means ensuring the reproduction of global capitalist relations of production as well as the creation and reproduction of political and cultural institutions favorable to its rule, *central among which is the state.* We have seen already that one central institution is the TNC, the key institution for organizing the process of global capital accumulation. In the global capitalist system the giant TNCs that control the global economy make the key decisions affecting the lives of most, if not all, of the people on the planet. But corporations do not act alone in organizing capitalist production. Notwithstanding the prevailing market ideology, the conditions of production are not brought forth in accordance with the laws of the market. There must be some agency whose task is to produce these conditions or to regulate capital's access to them. This institution is the capitalist state. Under globalization, I suggest, the capitalist state has increasingly acquired the form of a TNS.

Here in a nutshell is my argument: The leading strata among the emergent TCC became politicized from the 1970s into the 1990s. The notion of a managerial elite at the apex of the global ruling class that controls key levers of global policymaking captures the idea of a politically active wing of the global ruling class. As part of its political protagonism, this wing set about to create or trans-

form a set of emerging transnational institutions. These institutions constitute an incipient TNS apparatus. This TNS apparatus is an emerging network that comprises transformed and externally integrated national states, *together with* the supranational economic and political forums, and has not yet acquired any centralized institutional form. The economic forums include the IMF, the WB, the WTO, the regional banks, and so on. The political forums include the Group of Seven (G-7) countries and the larger Group of 22 countries, among others, as well as the U.N. system, the OECD, the EU, the Conference on Security and Cooperation in Europe (CSCE), and so on. The TCC has directly instrumentalized this TNS apparatus, exercising a form of TNS power through the multilayered configuration of the TNS. It is through these global institutions that the TCC has been attempting to forge a new global capitalist historic bloc.

Conceptualizing a TNS Apparatus

My thesis on the TNS involves three interrelated propositions:

1. Economic globalization has its counterpart in transnational class formation and in the emergence of a TNS, which has been brought into existence to function as the collective authority for a global ruling class.
2. The nation-state is neither retaining its primacy nor disappearing but is being transformed and absorbed into the larger structure of a TNS.
3. The emergent TNS institutionalizes the new class relation between global capital and global labor.

Let us now explore these propositions. The next few sections are theoretically complex. I trust that the careful reader will be able to grasp my underlying argument, follow its logic, and enjoy the reward of the insights that I am convinced this perspective offers.

Beyond Nation-State Centrism in the Study of Globalization

I refer to the tendency to accord continued centrality to the nation-state in existing theoretical approaches in the social sciences as *nation-state centrism* (Robinson 1996a, 1996b, 1998, 2001b, 2002a). Nations are seen as discrete units within a larger system—the world system or the international system—that is characterized by external exchanges among these units. Despite their divergent theoretical principles, these nation-state paradigms share as the domain of their inquiry the nation-state and the interstate system. But nation-states are no

longer appropriate units of analysis, in part because they are no longer "containers" (if indeed they ever were) of the diverse economic, political, social, and cultural processes that are the objects of study in the social sciences. Adopting a transnational, or global, perspective means moving beyond a focus on the social world that emphasizes country-level analysis or an international system made up of discrete nation-states as interacting units of comparative analysis. We need to make a break with nation-state-centered analysis if we are to understand the twenty-first-century world.

With the onset of globalization social scientists have recognized the increasing obsolescence of the nation-state as a practical unit of the global political economy and acknowledged the need for new perspectives. The new, transnational phase of capitalism is characterized by a period of major restructuring of the system, including restructuring the institutional forms of capitalism. The breakup of national economic, political, and social structures is reciprocal to the gradual breakup, starting in the 1970s, of a preglobalization world order based on nation-states. Nonetheless, given ingrained nation-state centrism, much scholarship has analyzed economic globalization from the political framework of the nation-state system and the agency therein of national classes and groups. Transnational institutions and political globalization are seen in most accounts as extensions or modifications of the nation-state system. These are national/international approaches that focus on the preexisting system of nation-states, seen as experiencing internationalization rather than globalization. Indeed, two of the most prominent theoreticians on globalization, Roland Robertson (see, e.g., Robertson 1992) and Anthony Giddens (e.g., Giddens 1990), insist that a defining feature of the process is the "universalization" of the nation-state. *Trans*national or globalization approaches focus on how the system of nation-states and national economies, and so on, are being transcended by transnational forces and institutions grounded in the global rather than the interstate system.

To get beyond nation-state-centrist ways of thinking about globalization, we need to keep in mind that a study of globalization is fundamentally *historical analysis*. Events or social conditions can be conceived in terms of previous social processes and conditions that gave rise to them. The nation-state is not transhistorical. Good social analysis requires that we study not only the laws of motion of a given set of structures but also the *transformation* of those structures. The nation-state system is the result of a historically specific correspondence between production, social classes, and territoriality, a correspond-

ence that led to a given political form. The nation-state system is a relatively fixed set of historical structures whose foundations were laid in the seventeenth century and does not have a universal character. In 1648 the emerging nations of Europe met in the German city of Westphalia to sign a series of treaties that enshrined the concept of the sovereign nation-state and the interstate system, bringing a temporary peace to warring states on the subcontinent. Over the next three hundred years capitalism developed worldwide through the framework of the nation-state and the interstate system.

Each epoch in this development saw an expansion of the system and the establishment of sets of institutions that made this expansion possible, as well as organized long-term cycles of capitalist development. From the seventeenth-century treaties of Westphalia into the 1960s, capitalism thus unfolded through this system of nation-states, which generated concomitant national structures, institutions, and agents. We must not forget, however, that the nation-state is a historically bound phenomenon, emerging in the last five hundred years or so, in conjunction with the European transition from feudalism to capitalism, the consolidation of national markets and productive structures, and concomitant states and polities. The emergence of territorially based *national* economies regulated by the (nation-)state led to peoples' derivation of subjective identities from their sense of geographical space, with a certain congruence between subjective identity and the material coordinates of life in the preglobalization period. In turn, the phenomenology of the nation-state period of world history led to the "nation" as a Sorelian myth, or what Benedict Anderson (1983) has pointedly characterized as an "imagined community." The nation-state, or interstate, system is a historical outcome, the particular form in which capitalism came into being based on a complex relation between production, classes, political power, and territoriality. This relation is now being superseded by globalization.

The tendency to view the interstate system as an immutable structure of the modern world in which social change and development occur has resulted in a *nation-state reification*. Because of the prevalence of reification in discussions of the state and other social phenomena, it is important to make clear what I mean by *reification*. To reify is to understand something that social agency has produced as though it exists and operates quite independently of this agency, according to its own laws. It is to perceive a social practice that we engage in as some external "thing" that exists on its own. To reify something is to attribute a thinglike status to what should be more properly seen as a complex, chang-

ing set of social relations that our practice has created. The problem is that the social world is so complex and multidimensional that we must create numerous concepts to try to describe, codify, and understand its varied dimensions. Thus, "society," "race," "culture," "identity," "state," and "nation-state" are concepts we have created to help us understand reality. They have no ontological status independent of human agency. But when we forget that the reality to which these concepts refer is our own sets of social relations and instead attribute some independent existence to them, we are reifying. For instance, a "nation-state" is not a tangible "thing" insofar as borders are imaginary lines we draw through real space. A "state" is not, of course, the physical buildings that house government officials or a capital city but a set of social relations and practices we have created and institutionalized. To see the state as some thing in itself is to reify the state.

Nation-state-centric thinking, in addition to reifying, also *conflates* the nation-state with the state and with society. To conflate is to collapse two separate phenomena or concepts into a single one, thereby distorting our understanding of them. The nation-state is not synonymous with the state, nor is it synonymous with society. This problem of conflation is manifest in the way the terms *state* and *nation* are used almost interchangeably in nation-state paradigms. Giddens (1985), for instance, has assumed in his approach to the topic of globalization that society and the nation-state tend to be coterminous, and many approaches to transnationalism put forward interactions among nation-states as autonomous societies engaged in external exchanges with other national societies. But "society" as social structure cannot be limited to the specific historical form of the nation-state. Society has existed as long as human beings have been living on earth. More important for the present study, there are certainly states that have not been nation-states. States first arose some six thousand years ago. They have taken numerous forms, from the centralized states of the Aztec, Roman, Chinese, Moghul, Zimbabwean, Ottoman, Incan, Russian, and other empires to the more localized states of African and European kingdoms and even the states of chieftain societies around the world.

I am arguing that the nation-state as one particular form of the state is in the process of being superseded by a new form of state, what I call here a TNS. Globalization does not entail the disappearance of the state; rather, it entails the rise of new (transnational) state forms. The history of capitalism is the history of a constantly revolutionizing force that perpetually reshapes the world in new, often quite unexpected configurations. A key feature of the current epoch is the

supersession of the nation-state as the organizing principle of capitalism, and with it the supersession of the interstate system as the institutional framework of capitalist development. A single headquarters for world capitalism became untenable as the process of transnational market, financial, and productive integration proceeded in the latter decades of the twentieth century. In the emerging global capitalist configuration, transnational or global space is coming to supplant national spaces. There is no longer anything external to the system, not in the sense that it is now a "closed" system but in that there are no longer any countries or regions that remain outside world capitalism or are still to be incorporated through original accumulation and in that there is no longer autonomous accumulation of any significant scale outside the sphere of global capital. The internal social nexus is a global one. Here we can note the sociological principle that organic social relations are always institutionalized, which makes them "fixed" and makes their reproduction possible.[1] As the organic and internal linkage between peoples become truly global, the whole set of nation-state institutions is being superseded by transnational institutions.

Thus far I have critiqued reification and conflation in nation-state-centric approaches to globalization. But there is a third pitfall in the prevailing scholarship, that of a *global-national dualism.* To argue that a new transnational institutionality is emerging, as I do here, is not in itself controversial. We have seen under globalization the reorganization or reconfiguration of diverse institutions and structures according to the logic of global production and markets rather than national borders. The interdisciplinary literature on globalization is full of discussion on the decreasing power and significance of the nation-state and the increasing significance of supra- or transnational institutions. But the question now is, how do we interpret these twin dimensions of change under globalization in the economy and in political institutions? How do we conceive of an emergent transnational institutionality?

The notion that the continued internationalization of capital and the growth of an international civil society has involved the internationalization of the state

[1]The institutionalization of social life is a core theme in sociology. As regards the recent history and specific configurations of capitalism, the French "regulation school," the U.S. "social structure of accumulation" school, and the Amsterdam school's notion of "comprehensive concepts of control" have theorized the sets of shifting social, political, and cultural institutions that constitute "regimes of accumulation" and make possible over time the reproduction of capitalism (even though all three schools do so within a nation-state framework) (see, respectively, Aglietta 1979; Kotz, McDonough, and Reich 1994; and van der Pijl 1998). I find these schools useful to the argument that follows, and their contribution to my thinking should be apparent.

has been recognized by a number of traditions in the social sciences (see, e.g., Boli and Thomas 1997, 1999; Chase-Dunn 1998; Cox 1987; Gill 1990, 1993; Held 1995; Keohane and Nye 1972; Krasner 1983; Meyer et al. 1997; and Murphy 1994). But these varied accounts are based on internationalization. They share a nation-state centrism that entraps them in a *global-national dualism.* A dualism (or dualist thinking) sees a phenomenon or aspect of reality as made up of two radically distinct dimensions, concepts, or principles without any possibility of one being reduced to the other; that is, dualist thinking erects a false dichotomy. The diverse accounts of globalization that approach the matter from such a global-national dualism assume phenomena associated with a TNS to be international extensions of the nation-state system. The conception is one of *inter*national institutions created by nation-states individually or collectively as mechanisms to regulate the flow of goods and capital across their borders and to mediate interstate relations. World-system analysis, for instance, often posits a world system of separate political and cultural superstructures linked by a geographical division of labor. Many Marxist accounts, even as they provide dynamic analyses of the internationalization of capital, see the nation-state as immanent to capitalist development (see, e.g., Burnham 1990; Poulantzas 1975; and Wood 2002). The Italian school seems to break with a reification of the state by explicitly proposing a relational conception in which varied state forms are constituted in a relational nexus. But even the neo-Gramscians fall back upon a certain dualist thinking in reaching conclusions on world order in the current era (see, e.g., Cox 1987).

Mind-sets, in this case nation-state-centric mind-sets, are exceedingly difficult to break, even when confronted with logical inconsistencies and problems of empirical validity. Those who try to grapple with globalization "are prepared to admit the emergence of a world economic system but are unwilling to admit the possibility of the ultimate disintegration of nation-states and national cultures," observers Malcolm Waters. "Indeed, they often resort to a theoretical dualism in which contradictory causal effects are allowed to reside in separate parts of the theory." Given the tenacity of this theoretical dualism, one might justify Waters's extraordinarily harsh criticism of these logical inconsistencies as intellectually "schizoid" (1995, 28). In more gracious terms, we can underscore that in order to comprehend globalization we must engage in relational thinking rather than categorical thinking. *Relational thinking* examines entities or processes in interaction with one another, whereas *categorical thinking* looks at phenomena on their own or in isolation from other phenomena.

Beyond the Global-National Dualism: From Weber to Marx

The question of the state is at the heart of the globalization debate, which has increasingly centered on the relation of the nation-state to economic globalization. My theory on the rise of a TNS has often been met by criticism from those who assume, incorrectly, that I believe the nation-state is no longer relevant or even that it is disappearing. In fact, the issue has been misframed, portrayed as a debate between two diametrically opposed positions—what I referred to above as the global-national dualism. On the one hand, the "strong state" thesis claims that the nation-state, and by extension the interstate system, is retaining its primacy as the axis of international relations and world development. The "strong state" thesis is often advanced through a dualist construct, referred to above, that posits separate logics for a globalizing economic system and a nation-state-based political system (Caporaso 1989; Modelski 1978; Skocpol 1979; Zolberg 1981). On the other hand, the "weak state" thesis, or diverse "end of the nation-state" accounts (Ohmae 1996), sees the nation-state as no longer important, having been "hollowed out" and neutered by global economic processes that have gone beyond the control of even the most powerful governments.

Developing the concept of a TNS helps us to clarify the relationship between globalization and the nation-state by critiquing and moving beyond this global-national dualism. It is important to remember that the state and the nation-state are not coterminous. The conflation of the two in the globalization literature has impeded analysis of the increasing separation of state practices from those of the nation-state. Indeed, the term *state* is used in certain circumstances—frequently in world-system and comparative-historical approaches in the social sciences—to refer to the overall territory and social system that is subject to a particular rule or domination. By this definition, the emerging world order characterized by the domination of transnational capital would indeed constitute a transnational or global state. As becomes clear, we need to distinguish analytically between a number of related terms: *nation, country, nation-state, state, national-state,* and *transnational state.*

Nation-states are geographical and juridical units and sometimes cultural units, and as it is used here the term is interchangeable with *country* or *nation. States* are power relations embodied in particular sets of political institutions. The conflation of these two related but analytically distinct concepts is grounded in the conception of the state put forward in the early twentieth century by the German sociologist Max Weber, which informs much analysis on this subject.

Weber saw the state as a set of cadre and institutions that exercise authority, a "legitimate monopoly of coercion," over a given territory (Weber 1978a, 2:314–18; 1978b, 43–64). In the Weberian view, the economic and the political (in Weberian terms, "markets and states") are externally related, separate and even oppositional spheres, each with its own independent logic. Nation-states interact externally with markets. Consequently, applying Weber's dualist view to the twenty-first century, globalization is seen to involve the economic sphere, while the political sphere may remain constant, an immutable nation-state system. State managers confront the implications of economic globalization and footloose transnational capital as an external logic. This has become the dominant framework for analysis of globalization and the state. In the globalization literature this approach emphasizes the increasing impotence of nation-states in the face of world market forces (see, e.g., Berger and Dore 1996; Boyer and Drache 1996; Mann 1997; Sassen 1996; Strange 1996; and Vernon 1971).

The state-market dualism is closely related to the global-national dualism. Globalization is said to be overstated because nation-states "have more power" than is claimed or because there are "national" explanations that elucidate phenomena better than do globalization explanations. Some point to the continued relevance of nation-states to claim that globalization is overstated or even imaginary (see, e.g., Gordon 1988; Hirst and Thompson 1996; Sivanandan and Wood 1997; Weiss 1998; and Wood 2002). In this construct, what takes place "within" a nation-state is counterposed to what takes place in the global system. In these recurrent dualisms, economic globalization is increasingly recognized, but it is analyzed as if it were independent of the institutions that structure these social relations, in particular, states and the nation-state. In this dual-logic approach, at the economic level the global logic of a world economy prevails, whereas at the level of the political a state-centered logic of the world system prevails (Chase-Dunn 1998). Relatedly, much has been written about "global governance," an approach that assumes as well the duality of a nation-state system with its own logic alongside a global economy. Nation-states are to cooperate in coordinating expanding international activity and in confronting the problems of the new age (see, e.g., Commission on Global Governance 1995; Held 1995; and Murphy 1994).

The way out of these antinomies is to move beyond Weber and return to a historical-materialist approach to the state. In the conception put forward by Karl Marx, the state is the institutionalization of class relations around a particular configuration of social production. The separation of the economic from

the political for the first time under capitalism accords each an autonomy—and implies a complex relationship that must be problematized—but also generates the illusion of independent, externally related spheres.[2] In the historical-materialist conception, the economic and the political are distinct moments of the same totality; that is, they enjoy an *internal relation*. An *internal relation* is one in which each part is constituted in its relation to the other, so that one cannot exist without the other and only has meaning when seen within the relation, whereas an *external relation* is one in which each part has an existence independent of its relation to the other (Ollman 1976). (Viewing something as externally related is often related to viewing something in a dualist manner, as discussed above.) For example, antagonistic social classes are internally related, in that "slave" only has meaning in relation to "slave owner," or "worker" only has meaning in relation to "capitalist." I am suggesting here that the relation between the economy, or social production relations under capitalism, and states as sets of institutionalized class relations that adhere to those production relations is an internal one.

It is not possible here to revisit the theoretical debates that have raged in the social sciences since the revival of interest in the state in the 1960s, which have remained inconclusive and open-ended (but see, e.g., Alford and Friedland 1985; Block 1987; Clarke 1991; Held 1989; Jessop 1982; and Nordlinger 1981). Most scholars engaged in these debates agreed that the state, far from being a neutral arena, is an institution that defends the interests of groups that are dominant

[2]The separation of the economic and the political under capitalism is taken as natural or organic in liberal ideology and has been given historical and theoretical treatment in the works of Marx, Polanyi, Poulantzas, and Gramsci, among others. The *formal* or apparent separation of the political and the economic spheres of a larger social totality under capitalism is not real; it is illusory. It takes the expression of the separation of the "public" from the "private," the former seen as the state proper, or what Gramsci referred to as "political society," and the latter as what Gramsci referred to as "civil society" (1971, 12–13). In his essay "State and Civil Society," Gramsci (1971, 210–76) critiques the conception of the state developed by the liberal ideologues of capitalist society as derived from the separation of politics and economics and "conceived as a thing in itself, as a rational absolute" (1971, 117). This conception results in a reified or fetishistic view in which individuals "are led to think that in actual fact there exists above them a phantom entity, the abstraction of the collective organism, a species of autonomous divinity that thinks, not with the head of a specific being, yet nevertheless thinks, that moves, not with the real legs of a person, yet still moves" (Gramsci 1995, 15). This view of the state as a "thing-in-itself," as an entity unto itself in political society, was lambasted by Gramsci as "statolatry" (1971, 268–69). Gramsci defined the state as "the entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules" (244). In Gramsci's formula, the state becomes the "integral" or "extended" state, encompassing political as well as civil society, a conception aimed at overcoming the illusory dualism of the political and the economic.

in the economy and society. But beyond this general agreement, there emerged out of these debates two broadly distinct although not necessarily incompatible views on how and by what mechanisms the state actually does represent the interests of dominant groups. One view held that the state was "instrumentalized" directly by representatives of the dominant groups in order to shape policies in their interests. The other held that dominant groups did not necessarily instrumentalize the state directly; rather, the very structure of capitalist society forced the state to implement policies that advanced the interests of these dominant groups. This became known as the "instrumentalist versus structuralist" debate, and one of the key insights to emerge from it was the concept of the "relative autonomy of the state" (Nordlinger 1981; Poulantzas 1968). According to this concept, even if we understand the state to be an instrument that serves the interests of particular groups and classes, there is not necessarily any direct manipulation of the state in the fulfillment of these interests. That is, the state may act with an autonomy relative to different groups in society.

The importance of this insight for our discussion of the TNS and the TCC will become clear shortly. For now I want to point out, first, that Marxist theories on the relative autonomy of the state, whether emphasizing a "structuralist" or an "instrumental" subordination of the state to economically dominant classes, do not posit an *independent* state as a separate sphere with its own logic; in Marx's words, there is no state "suspended in mid-air" (Marx 1978, 607). That is, the state is *internally* related to society, to the social forces and structures that make up society. The task of analysis is to uncover the complex of social processes and relations that embed states in the configuration of civil society and political economy. *Civil society* comprises the diverse sets of nonstate institutions that make up society, ranging from the church to news media, social clubs, professional associations, and private businesses—everything between the state and the family. The analytical task at hand is to uncover how states are deeply nested in civil society. Second, I want to argue that there is nothing in the historical-materialist conception of the state that *necessarily* ties it to territory or to nation-states. That capitalism has historically assumed a geographical expression is something that must be problematized.

So *how*, in the Marxist conception, is the state nested in civil society? A fundamental aspect of civil society is its class relations, the division of the population into distinct classes that are internally related. These class relations shape the state. We can say that states as coercive systems of authority are class relations and social practices congealed and operationalized through political in-

materialist theoretical conceptualization of the state, not as a "thing" or a fictional macroagent, but as a specific social relation inserted into larger social structures that may take different, historically determined institutional forms, only one of which is the nation-state. Nothing in the current epoch suggests that the historical configuration of space and its institutionalization is immutable rather than itself subject to transformation.

This is to say that the political relations of capitalism are entirely historical, such that state forms can only be understood as historical forms of capitalism. Although the proposition cannot be explored here, I suggest that the explanation for the *particular* geographical expression that world capitalism acquired in the nation-state system is to be found in the uneven development of the system, including its gradual spread worldwide. Territorialized space came to house distinct market and capital accumulation conditions, often in opposition to one another, a process that tended to be self-reproducing as it deepened and became codified by the development of national states, constitutions, legal systems, politics and culture, and the agency of collective actors (e.g., Westphalia, nationalism, etc.). This particular spatial form of the uneven development of capitalism is being overcome by the globalization of capital and markets and the gradual equalization of accumulation conditions this involves.

To summarize what I have said thus far, the state is the congealment of a particular historically determined constellation of class forces and relations, and states are always embodied in sets of political institutions. Hence states are *(a)* a moment of class power relations and *(b)* a set of political institutions (an "apparatus"). The state is not one or the other; it is both in their unity. The separation of these two dimensions is purely methodological. (Weber's mistake is to reduce the state to *[b].*) National states arose as particular embodiments of the constellations of social groups and classes in civil society that developed within the system of nation-states in the earlier epochs of capitalism and became grounded in particular geographies.

What Is a TNS?

What, then, is a TNS? Concretely, what are the *(a)* and the *(b)* of a TNS? The TNS is a particular constellation of class forces and relations bound up with capitalist globalization and the rise of a TCC embodied in a diverse set of political institutions. These institutions are transformed national states and diverse supranational institutions that serve to institutionalize the domination of this class as the hegemonic fraction of capital worldwide. Hence, I submit, the

state as a class relation is becoming transnationalized. The class practices of a new global ruling class are becoming "condensed," to use Nicos Poulantzas's imagery, in an emergent TNS. According to Poulantzas, the state "is the *specific material condensation* of a relationship of forces among classes and class fractions" (1978, 129). As discussed in chapter 2, what distinguishes the TCC from national or local capitalist fractions is that it is involved in globalized production and manages global circuits of accumulation that give it an objective class existence and identity spatially and politically in the global system above any local territories and polities. The TNS comprises those institutions and practices in global society that maintain, defend, and advance the emergent hegemony of this global bourgeoisie and its project of constructing a new global capitalist historic bloc.

To reiterate, this TNS apparatus is an emerging network that comprises transformed and externally integrated national states, *together with* the supranational economic and political forums, and has not yet acquired a centralized institutional form. The rise of a TNS entails the reorganization of the state in each nation—I will henceforth refer to these states of each country as *national states*—and involves simultaneously the rise of truly supranational economic and political institutions. These two processes—the transformation of national states and the rise of supranational institutions—are not separate or mutually exclusive. In fact, they are twin dimensions of the transnationalization of the state. Central to my argument is that under globalization the national state does not "wither away" but becomes transformed with respect to its functions and becomes a functional component of a larger TNS.

The TNS apparatus is multilayered and multicentered. It links together functionally institutions that exhibit distinct gradations of "state-ness," that have different histories and trajectories, and that are linked backward and forward to distinct sets of institutions, structures, and regions. The supranational organizations are both economic and political, formal and informal. The economic forums include the IMF, the WB, the Bank for International Settlements (BIS), the WTO, regional banks such as the Interamerican Development Bank (IDB) and the Asian Development Bank (ADB),[3] and so on. To reiterate, supra-

[3]These regional banks are part of the larger international financial system and were created in order to functional as more specialized regional international financial institutes complementary to the Bretton Woods institutions. The IDB was formed in 1960, the African Development Bank (AfDB) in 1966, and the ADB in 1966. In 1990 the European Bank for Reconstruction and Development (EBRD) was formed as a fourth regional bank.

national political forums include the Group of Eight (G-8) and the recently formed Group of 22, among others, as well as more formal forums such as the United Nations, the OECD, the EU, the CSCE, and so on. They also include regional groupings such as the Association of Southeast Asian Nations (ASEAN) and the supranational juridical, administrative and regulatory structures established through regional agreements such as the NAFTA and the APEC.

Many scholars have discussed this diverse set of supranational institutions, but we need to *theorize* this emerging configuration. By the closing decades of the twentieth century it appeared that these supranational planning institutes were gradually supplanting national institutions in policy development and in the management and administration of the global economy. The function of the nation-state was shifting from the formulation of national policies to the administration of policies formulated through supranational institutions.[4] However, it is essential to avoid the national-global duality: national states are not external to the TNS but are becoming incorporated into it as component parts. The supranational organizations function in consonance with transformed national states. They are staffed by transnational functionaries who find their counterparts in transnational functionaries who staff transformed national states. These *transnational state cadre* act as midwives of capitalist globalization.

The TNS is attempting to fulfill the functions for world capitalism that in earlier periods were fulfilled by what world-system and international-relations scholars refer to as a *hegemon*, or a dominant capitalist power that has the resources and the structural position to organize world capitalism as a whole and impose the rules, regulatory environment, and so on, that allow the system to function. We are witnessing the decline of U.S. supremacy and the early stages of the creation of a transnational hegemony through supranational structures that are not yet capable of providing the economic regulation and political conditions for the reproduction of global capitalism (and may well be unable to provide those conditions, as I discuss in the next chapter). Just as the national state played this role in the earlier period, I suggest, the TNS seeks to create and maintain the preconditions for the valorization and accumulation of capital in the global economy. Recall that this global economy is not simply the sum of

[4]Michael Hardt and Antonio Negri note more pointedly: "Through its contemporary transformation of supranational law, the imperial process of constitution tends either directly or indirectly to penetrate and reconfigure the domestic law of the nation-states, and thus supranational law powerfully overdetermines domestic law" (2000, 17).

national economies and national class structures, and it requires a centralized authority to represent the whole of competing capitals, the major combinations of which are no longer "national" capitals. The nature of state practices in the emergent global system resides in the exercise of transnational economic and political authority through the TNS apparatus to reproduce the class relations embedded in the global valorization and accumulation of capital.

The Power of National States and the Power of Transnational Capital

The New Capital-Labor Relation and the TNS

In the previous chapter, the reader will recall, I developed the following argument: by making it structurally impossible for individual nations to sustain independent or even autonomous economies, political systems, and social structures, globalization reconfigures world social forces in a very dramatic way. Specifically, under the global economy the phase of distribution in the capital-accumulation process is ever less mediated by the nation-state and increasingly shaped by transnational networks and global structures. In this way, the global economy fragments national cohesion around processes of social reproduction and shifts the site of reproduction from the nation-state to transnational space. The consequent liberation of transnational capital from the constraints and commitments imposed on it by social forces in the nation-state phase of capitalism has dramatically altered the balance of forces among classes and social groups in each nation of the world and at a global level toward the TCC and its agents.

Now let us draw out this argument further, linking it more explicitly to analysis of the TNS. The following passages are somewhat abstract and technical, but I believe the analysis developed in the book up to this point will equip the reader to follow the argument. If in the earlier history of capitalism the nation-state was a necessary condition for the development of the system, in the latter decades of the twentieth century the institutional and spatial constraints of the nation-state became fetters to accumulation. Indeed, the restraints on accumulation imposed by popular classes worldwide in the nation-state phase of capitalism were what drove capital to transnationalization in the first instance. This point is crucial because many accounts of globalization attribute the process to technological innovation. However, technological change is the *effect*

of social forces in struggle, which are causal to historical change. The nation-state went from being a particular historical form that made possible the development of capitalism to one that fettered its further development. Let me elaborate:

The apparent declining ability of the national state to intervene in the process of capital accumulation and to determine economic policies reflects the newfound power that transnational capital acquired over nation-states and popular classes. Different classes and groups contest (national) state power, but real power in the global system is shifting to a transnational space that is not subject to "national" control. This structural power of transnational capital over the direct power of national states has been utilized to instill discipline or to undermine policies that may emanate from these states when they are captured by popular classes or by national fractions of local dominant groups, as the popular forces that won state power in Haiti, Nicaragua, South Africa, and elsewhere in the 1970s through the 1990s discovered (Robinson 1996b). This situation appears as an institutional contradiction between the structural power of transnational capital and the direct power of states (Gill and Law 1989). Some critics of globalization see this contradiction as one between national states and global agents, but it is a structural contradiction internal to an evolving capitalist system, at whose core are class relations, as the inner essence of a condition whose outward manifestation is an institutional contradiction. One set of social relations reflects a more fundamental set of social relations. On the surface, the structural power of capital over the direct power of states is enhanced many times over by globalization. In its essence, the relative power of exploiting classes over the exploited classes has been enhanced many times over, at least in this momentary historical juncture of the late twentieth and early twenty-first centuries.

The newfound relative power of global capital over global labor is becoming fixed in a new global capital-labor relation, what some have referred to as the global casualization or informalization of labor associated with post-Fordist flexible accumulation. It involves alternative systems of labor control and diverse contingent categories of labor, the essence of which is cheapening labor and making it "flexible." Central to this new capital-labor relation is the concept of a restructuring crisis. The long postwar boom in the 1970s ushered in a radical shift in the methods and sites of global capitalist accumulation, resulting, in Ankie Hoogvelt's analysis (1997), in a transformation in the mechanisms of surplus value extraction. In my view, these new systems of labor control rest

in part on the disjuncture between nation-state institutionality and capital's new transnational space. They include subcontracting and contract labor, outsourcing, part-time and temp work, informal work, home work, the revival of patriarchal workshops and family labor units, sweatshops, and other oppressive production relations. Well-known trends associated with the restructuring of the labor-capital relation taking place under globalization include "downward leveling," deunionization, "ad hoc" and "just-in-time" labor supply, the superexploitation of immigrant communities as a counterpart to capital export, the lengthening of the workday, the rise of a new global "underclass" of supernumeraries or "redundants" subject to new forms of repressive and authoritarian social control, and new gendered and racialized hierarchies among labor. These trends point to the rise of a global proletariat stratified less along national than along social lines in a transnational environment, insofar as this new generalized capital-labor relation reflects the tendency toward an equalization of accumulation conditions worldwide, or what Ivan Meszaros (1999) refers to as the downward equalization of the differential rate of exploitation.

These new variants of capitalist labor relations have been broadly discussed in the globalization literature (see, e.g., Amin 1994; Barber and Christensen 1998; Berberoglu 2002; Cox 1987; Dicken 1998; Harrison 1994; Harvey 1989; Kolko 1988; Lash and Urry 1987; Lipietz 1987; Ross and Trachte 1990; and Yates 1994). What interests us here is the larger social and political context in which they are embedded, as well as the extent to which states and nation-states continue to mediate these contexts. State practices and the very structure of states are negotiated and renegotiated in specific historical periods through changes in the balance of social forces as capitalism develops and classes struggle. The current epoch is not the first in which capital has broken free of reciprocities with labor expressed in state practices. This happened in the second half of the nineteenth century as the epoch of competitive capitalism was coming to an end and monopoly capital was emerging (Braverman 1974). Capital started to abandon earlier reciprocities with labor beginning in the 1970s precisely because the process of globalization had allowed it to break free of nation-state constraints. These new labor patterns are facilitated by globalization in a dual sense: first, capital has exercised its power over labor through new patterns of flexible accumulation made possible by enabling "third wave" technologies, the elimination of spatial barriers to accumulation, and the control over space these changes bring; second, globalization itself involves a vast acceleration of the primitive accumulation of capital worldwide, a process in which millions have

been wrenched from the means of production, proletarianized, and thrown into a global labor market that transnational capital has been able to shape.

As classes are restructured by the globalization process, transformations include the rapid proletarianization of vast sectors of formerly precapitalist classes, particularly national peasantries and urban artisans, and also of sectors of small and medium manufacturers and other middle classes that were tied to the domestic market and demand it generated. New urban and rural working classes linked to transnational production processes appear. Another aspect of global class formation is the rise of newly "superfluous" masses in most, if not all, countries of the world. One of the many consequences of globalizing processes is a reduced demand for labor (Rifkin 1995) simultaneous with a dramatic increase in newly proletarianized groups from the ranks of dissolving precapitalist classes (or the dissolution of employment in former private capitalist sectors and state bureaucracies). These consequences are combined with post-Fordist production techniques that dramatically alter the role of human labor and the organic composition of capital, that is, the labor component of capital, on an ongoing basis. The result is millions of "supernumeraries," or superfluous labor with no role to play in the *formal* local structures of globalized production. This rise in supernumeraries is one of several structural factors behind the vertiginous expansion of the informal sector in both core and peripheral regions. However, much recent research has documented that the informal economy is functionally integrated into the formal economy and that the two are complementary (Portes, Castells, and Benton 1989). These vast pools of supernumeraries have become alienated from the means of production, but they have not been incorporated as wage labor into the capitalist production process and are of no *direct* use to capital. Indirectly, however, they hold down wages and fragment and disperse collectives of people who might otherwise pose a direct political challenge to the status quo.

In the new capital-labor relation, labor is increasingly only a naked commodity, no longer embedded in relations of reciprocity rooted in social and political communities that have historically been institutionalized in nation-states. Each laborer, as I pointed out earlier, is expected to negotiate him- or herself as a commodity, to become a seller "freed" from political or social constraints, an "entrepreneur" of him- or herself as the owner of a commodity. The notion of responsibility, however minimal, on the part of governments toward their citizens or on the part of employers toward their employees is dissolved in the face of this new class relation. In this age of "savage capitalism" unleashed from

social constraints there is a veritable rollback on the "historical" or "moral" element in wage labor, driven by a culture of competitive individualism, at whose fringe is a resurrected Social Darwinism in which norms and values of collective survival have all but disappeared.

The Transnational within the National

The dissolution of the "welfarist," or Keynesian, "class compromise" rests on the power acquired by transnational capital over labor, which is objectively transnational but whose power is constrained and whose subjective consciousness is distorted by the continued existence of the system of nation-states. Here we see how the continued existence of the nation-state serves numerous interests of a TCC. For instance, central to capitalism is securing a politically and economically suitable labor supply, and at the core of all class societies is control over labor and over the disposal of the products of labor. Under capitalist globalization, the linkage between securing labor and territoriality is changing. National labor pools are merging into a single global labor pool that services global capitalism (see, e.g., Harris 1995; Potts 1990; and Stalker 2000), contributing to a historic trend in which capital no longer needs to pay for the reproduction of labor power. The global labor supply is, in the main, no longer coerced (subject to extraeconomic compulsion) due to the ability of the universalized market to exercise strictly economic discipline, but its movement is juridically controlled. Here national borders play a vital role. Nation-states are about the configuration of space, what the sociologist Philip McMichael (1996) has called "population containment zones." But their containment function applies to labor and not to capital. Globally mobile capital is not regulated by centralized national political authorities, but labor is. The interstate system thus acts as a condition for the structural power of globally mobile transnational capital over labor, which is transnational in its actual content and character but is subjected to different institutional arrangements and to the direct control of national states. National boundaries are not barriers to transnational migration but mechanisms for the supply of labor on a global scale and for the reproduction of the system. The nation-state system boxes in and controls populations within fixed physical (territorial) boundaries so that their labor can be more efficiently exploited and their resistance contained.

The case of the electoral referendum Proposition 187, placed on the California ballot 1994, is instructive. The proposition prohibited public-school enrollment for the children of immigrants who had not achieved legal residency

and also blocked access for these undocumented families to other public social services, such as healthcare. A careful study of the political mobilization to promote the proposition reveals that it was spearheaded by right-wing forces with the support of sectors of the white middle and upper classes and *in consort with* big employers, such as agribusiness and TNCs operating in the state. The California economy is highly transnationalized and thoroughly integrated into the global economy. These employers are highly dependent on Mexican, Central American, and other immigrant labor. Their intention in supporting the proposition was *not* to lock immigrant labor out of the state; to do so would be contrary to their interests. Rather, the proposition was aimed at imposing the most onerous, illegal and underground conditions on immigrant labor so that employers could more effortlessly control and exploit it, including deporting workers with state backing if they became organized, politicized, or unruly. The proposition was calculated to depress the wages and working conditions of undocumented immigrants and indeed all workers (Hinojosa and Schey 1995). The objective here, as elsewhere, was to create a transnational pool of labor, both immigrant and local, under the new capital-labor relation. The conditions for the superexploitation of ethnically subordinate labor were to be crafted through recourse to the juridical instruments of the nation-state. These instruments were placed in the service of transnational production activities in California. The drive to establish the mobility of capital and the immobility of labor is a material contradiction in that the successful deterritorialization of capital depends on the ongoing reterritorialization of labor. But this drive also presents itself as an ideological contradiction—how can one justify opening borders to capital and closing them to labor?—that can only be resolved through coercion and justified through recourse to new nativisms and xenophobia.

Proposition 187 reveals how globalization feeds existing social hierarchies and generates new ones, but more important for our purposes, it shows how national and local territorial boundaries and political jurisdictions that in the previous epoch may have thrown up barriers to global accumulation have become functional to the globalized circuits of capital. As capital continues to transnationalize, its activity takes place more intensively not just across space but across varied regulatory regimes, ranging from different tax and labor laws to currency regimes, capital markets, business cultures, and so forth (Ietto-Gillies 2002). On the one hand, transnationalization generates pressures for a global regulatory structure. The ongoing creation of such a structure has a re-

cursive effect on the transnational expansion of capital to the extent that it creates conditions more conducive to such expansion. On the other hand, the ability of TNCs to operate across nation-states as loci of distinct regulatory regimes and to shift resources through space and distinct juridical environments heightens their power relative to local and national state managers, labor, consumers, and local capitals. This is one way in which globalization has acted as a centripetal force for the TCC and allied strata and as a centrifugal force worldwide for popular classes (and also nationally and locally oriented dominant groups). The above discussion helps us to understand the concrete mechanisms through which the TNS helps to organize the global ruling class and to disorganize popular classes.

How, then, is this newfound relative power of global capital over global labor related to our analysis of the transnationalization of the state? *Out of the emerging transnational institutionality the new class relations of global capitalism and the social practices specific to it are becoming congealed and institutionalized.* For instance, when the IMF or the WB condition financing on enactment of new labor codes to make workers more "flexible" or on the rollback of a state-sponsored "social wage," they are producing this new class relation. Functionaries of the TNS are quite conscious of their role in subordinating global labor to global capital in order to reproduce this new class relation. For instance, in a major policy address delivered in 1984, IMF Director Jacques de Larosiere explained:

> Over the past four years the rate of return on capital investment in manufacturing in the six largest industrial countries averaged only about half the rate earned during the late 1960s. . . . Even allowing for cyclical factors, a clear pattern emerges of a substantial and progressive long-term decline in rates of return on capital. There may be many reasons for this. But there is no doubt that an important contributing factor is to be found in the significant increase over the past twenty years or so in the share of income being absorbed by compensation of employees. . . . This points to the need for a gradual reduction in the rate increase in real wages over the medium term if we are to restore adequate investment incentives. (Quoted in Wachtel 1986, 137)

More generally, the types of neoliberal practices of national states that became generalized in the late twentieth century—deregulation, fiscal conservatism, monetarism, tax regressivity, austerity, and so on—produce this relation. In the 1980s the state began to shift its role from that of providing social subsidies, that is, financing public health, education, welfare, transportation, and so on, which favors labor and its social reproduction, to that of subsidiz-

ing private business. There was a marked shift in the 1980s from firm- to state-financed research and development, for instance, as well as a withdrawal of the state from social reproduction through deregulation/reregulation (from "rigidity" to "flexibility"), the privatization of collective needs, and the lifting of rules and regulations that hindered market forces. All this resulted in an increase in state services to, and subsidization of, capital and underscored the increased role of the state in facilitating private capital accumulation. With this came a shift in income and in power from labor to capital. These outcomes, I suggest, generated the broader social and political conditions under which the new capital-labor relation became forged.

But now we need to specify further the relationship of national states to the TNS. Capital acquires its newfound power vis-à-vis (as expressed within) national states. A transnational bourgeoisie exercises its class power through the dense network of supranational institutions and relationships that increasingly bypass formal states and, in conjunction, through the utilization of national governments as territorially bound juridical units (the interstate system). National states are transformed into "transmission belts" (Cox 1987) and filtering devices. But national states are also transformed into *proactive instruments* for advancing the agenda of global capitalism. This assertion that transnational social forces impose their structural power over nations and the simultaneous assertion that national states, captured by transnational fractions, are proactive agents of the globalization process appear contradictory only if one abandons dialectics for the Weberian dualist construct of states and markets and the national-global dualism. Governments are undertaking restructuring and serve the needs of transnational capital not simply because they are "powerless" in the face of globalization, as the "weak state" thesis would suggest, but because a particular historical constellation of social forces now exists that presents an organic social base for this global restructuring of capitalism. (This point is misunderstood by those who approach the matter from the standpoint of a global-national dualism [see, e.g., Weiss 1997, 1998].) Hence it is not that nation-states become irrelevant or powerless vis-à-vis transnational capital and its global institutions. Rather, power as the ability to issue commands and have them obeyed, or more precisely, the ability to shape social structures, shifts from social groups and classes with interests in national accumulation to those whose interests lie in new global circuits of accumulation. These latter groups realize their power and institutionalize it in emerging TNS apparatuses that include supranational organizations and also existing states of nation-states that are

captured and reorganized by transnational groups and become, conceptually, part of an emergent TNS apparatus.

The contradictory logics of national and global accumulation are at work in this process. Class fractionation, recall, is occurring along a new national/transnational axis with the rise of transnational corporate and political elites. The interests of one group lie in national accumulation, including the whole set of traditional national regulatory and protectionist mechanisms, and the interests of the other lie in an expanding global economy based on worldwide market liberalization. Diverse nationally based social forces in struggle produce different national-state configurations that make for complex and multidimensional political dynamics and international relations. But in the 1980s and 1990s transnational blocs gradually became hegemonic within nation-states. Transnational fractions in the North have utilized the superior structural and direct power that core national states exercise in the global system not to advance "national interests" in rivalry with other nation-states but to mold transnational structures. Hence, national states do not disappear or even diminish in importance and may still be powerful entities. But these states tend to be influenced, and often captured, by transnational social forces that internalize the authority structures of global capitalism. Far from the "global" and "national" being mutually exclusive fields, the global becomes incarnated in local social structures and processes. The disciplinary power of global capitalism shifts actual policymaking power within national states to the global capitalist bloc, which is represented by local social forces tied to the global economy. The new managers of the neoliberal national states are part of a new global ruling class and represent some of the more charismatic executive functionaries of a TNS.

In sum, the capturing of local states by agents of global capitalism resolves the institutional contradiction between transnational capital and national states; that is, local state practices are increasingly harmonized with global capitalism. But this only intensifies underlying class and social contradictions. Later on we will examine these contradictions. Let us now reconstruct in brief the emergence of a TNS in the latter decades of the twentieth century, tracing how transnational capitalists sought to institutionalize their interests within a TNS.

Some Empirical Reference Points: The Emergence of a TNS, 1960s–2000

Money Goes Global

Under the political-military canopy of U.S. supremacy, national capitals began a new period of internationalization and external integration in the post–World War II period. Escalating international economic activity unfolded within the institutional framework of the nation-state system and the cross-border regulation provided by "international regimes" (Krasner 1983), in particular the Bretton Woods system, which had been set up in 1944 and included the IMF and the WB. The Bretton Woods system established fixed currency rates and rules for the tight regulation by nation-states of the cross-border movement of money, known as capital controls. This system of international economic regulation was designed—and worked well at first—for a world economy based on nation-state exchange (see Fig. 1.1).

But as multinational corporations extended their reach around the world, they sought to evade the controls imposed by central banks associated with the Bretton Woods system by depositing their capital in foreign currency markets. The corporations, in other words, did not send the dollars back home but rather deposited them in third-country banks. Economic internationalization thus brought the massive spread of dollars and other core country currencies around the world. In particular, many international investors deposited their money in European financial centers. These deposits came to be known as "Eurodollars." Eurodollar deposits ballooned from just $3 billion in 1960 to $75 billion in 1970—prompting the Nixon administration to abandon the gold standard in 1971—and then climbed to over $1 trillion in 1984 (Wachtel 1986, 15). The collapse of the Bretton Woods system of fixed currency exchange and national economic regulation via capital controls was the first step in the liberation of embryonic transnational capital from the institutional constraints of the nation-state system. It signaled the beginning of the transition to the globalization epoch and also the waning of U.S. supremacy. Liquid capital accumulated in offshore capital markets established by nascent transnational banks seeking to evade the regulatory powers of national states. In the 1970s the transnational banks began to recycle this liquid capital through massive loans to Third World governments (see table 3.1). International bank lending jumped

Table 3.1. The Third World Debt, 1973–2000

Year	Debt (in $billions)	Year	Debt (in $billions)
1973	76	1990	1,182
1977	332	1992	1,338
1980	565	1994	1,718
1982	747	1996	1,930
1984	874	1998	2,182
1986	1,039	2000	2,199
1988	1,178		

Source: IMF 2000.

from $2 billion in 1972 to $90 billion in 1981 before falling to $50 billion in 1985 (Strange 1994, 112; Wachtel 1986).

Newly liberated global financial markets began to determine currency values, to destabilize national finances, and to undermine the national macroeconomic management of the earlier Keynesian regime of capitalism. By the early 1990s more than $1 trillion in various currencies was being traded daily, all beyond the control of national governments (Strange 1994, 107). The dramatic loss of currency control by governments meant that state managers could no longer regulate the value of their national currency. The power to influence state economic policymaking passed from these state managers to currency traders, portfolio investors, and transnational bankers—precisely, the representatives of transnational finance capital—by virtue of their ability to move funds around the world. In 1992 the former chair of Citicorp, Walter Wriston, noted in an Op-Ed article in the *New York Times* that currency traders sit at two hundred thousand trading-room monitors around the world and conduct "a kind of global plebiscite on the monetary and fiscal policies of the governments issuing currency" in which "there is no way for a nation to opt out" (quoted in Bretcher and Costello 1994, 30). Offshore capital markets grew from $315 billion in 1973 to more than $2 trillion in 1982, and by the end of the 1970s, trade in currencies was more than eleven times greater than world commodity trade. And because this global movement of liquidity created unpredictable conditions of profitability, TNCs reduced their risks by diversifying their operations around the world, thus accelerating the entire globalization process and the political pressures for a TNS apparatus.

What David Harvey has called "the tension between the fixity (and hence

stability) that state regulation imposes, and the fluid motion of capital flow," was becoming "a crucial problem for the social and political organization of capitalism" (Harvey 1989, 109). My argument is that in the transnationalization process this problem became manifest in pressures for transnational regulation. Transnational capitalists were quite aware of their role in pushing for a TNS apparatus. For example, transnational bankers worked collectively to transform the Bretton Woods agencies into their collective supranational instrument in the face of the 1980s Third World debt crisis. "The banks want to be assured that the [debtor] country is going to be pursuing the necessary adjustment program to take it out of its external debt situation to monitor what it is doing," noted the Citibank official in charge of Latin American debt negotiations, William H. Rhodes, in 1984. "The banks have found that this is a very difficult role to play as a group and felt that a multilateral agency like the International Monetary Fund is better equipped to do so" (quoted in Wachtel 1986, 125).

Taking place structurally were long-term movements in the world capitalist system—the rise of the global economy and the emergence of transnational finance capital as the hegemonic fraction of capital on a world scale, as money capital became the regulator of new global circuits of production rather than investment capital. As Stephen Gill has argued, the international economic turmoil that began in the early 1970s was not, in fact, reflective of the breakdown of world capitalism, as some believed at the time. Rather, it was precisely the rough bumps of the emergence of transnational capital concentrated in transnational financial capital (Gill 1990). Transnational capital needed an entirely new global political and economic environment, one in which it would no longer be hampered by nation-states or democracy.

Globalizing Elites Become Politically Organized

As transnational corporate and political elites emerged on the world scene in the 1980s they made explicit claims to building and managing a global economy through restructured multilateral and national institutions. They pressured for the dismantling of Keynesian welfare and developmentalist states and the lifting of national controls over the free movement of globally mobile capital. They pushed for public sectors and nonmarket community spheres to be opened up to profit making and privatized—what Marx termed the "alienation of the state" (1959, 754–55)—and set about to impose new production relations of flexible accumulation. This transnational bourgeoisie became politically organized. The formation in the mid-1970s of the Trilateral Commission, which

brought together transnationalized fractions of the business, political, and intellectual elite in North America, Europe, and Japan, was one marker in its politicization (Gill 1990). Other markers were the creation of the G-7 (the United States, Great Britain, France, Germany, Japan, Italy, and Canada, later joined by Russia, when it became the G-8), a forum at the governmental level that has met each year since it first began in 1975 to institutionalize collective management of the global economy by corporate and political elites from core nation-states; the transformation of the OECD, formed in the 1950s as a supranational institution by the twenty-four largest industrialized countries to observe their national economies, into a forum for economic policy coordination and restructuring; and the creation of the WEF, which brought together the top representatives of TNCs and global political elites. Studies on building a global economy and transnational management structures flowed out of think tanks, university centers, and policy-planning institutes in core countries (for discussion, see Cox 1979; and Murphy 1999).

The diverse activities, strategies, and power positions of global elites as they sought practical solutions to the problems of accumulation around the world gradually converged around a program of global economic and political restructuring centered on market liberalization that became known as the "Washington consensus" (Williamson 1993). This program was pieced together in the 1980s. Amid sharp social struggles and multiple forms of resistance from subordinate groups and also from dominant groups not brought into this emerging global capitalist bloc, the global elite set out to convert the world into a single unified field for global capitalism. It pushed for greater uniformity and standardization in the codes and rules of the global market, a process similar to the construction of national markets in the nineteenth century but now replicated in the new global space. The G-7 in 1982 designated the IMF and the WB as the central authorities for exercising the collective power of the capitalist national states over international financial negotiations (Harvey 1989, 170). At the Cancun Summit, in 1982, the core capitalist national states, led by the United States, launched the era of global neoliberalism as part of this process and began imposing SAPs on the Third World and the then Second World. Transnational elites promoted international economic-integration processes, including the NAFTA, the EU, and the APEC, among others. They created new sets of institutions and forums, such as the WTO, the Multilateral Agreement on Investment (MAI), and so on. In this process, the existing supranational in-

stitutions, such as the Bretton Woods and the U.N. institutions, were not bypassed but instrumentalized and transformed.

For instance, during the 1980s the composition of loans to Third World countries changed dramatically. In 1981, 42 percent of net loans came from commercial banks and 37 percent came from multilateral agencies (George 1988, 33). By 1988, private banks supplied only 6 percent of net loans, and the multilaterals, 88 percent. In effect, the Bretton Woods institutions loaned public funds (public because they were government funds originating from taxpayers) to national states to repay the private banks and then utilized the resultant financial power centralized in their hands to acquire control over economic management and the political authority that comes with it. For its part, the WB shifted in the 1980s from *project* loans to *policy* loans aimed at restructuring local economies and integrating them into the global economy (McMichael 1996, 159). In 1983, WB president A. W. Clausen remarked: "The fundamental philosophy of our institution is to help countries diversify their exports . . . and to have an export orientation" (quoted in McMichael 1996, 159). The reformed Bretton Woods institutions took the reins in organizing global economic restructuring, especially through neoliberal programs. In 1996, for the first time ever, the top executives of the WB (James Wolfensohn), the IMF (Michel Camdessus), and the WTO (Renato Ruggiero) were officially invited to participate in the discussions at the annual G-7 meeting, in Lyons, France (Gelinas 1998). Similarly, the U.N. conference system helped achieve consensus on reshaping the world political and economic order, while U.N. agencies such as the United Nations Development Program (UNDP) and UNCTAD began to promote the transnational elite agenda of economic liberalization. The UNDP's frequently cited annual *Human Development Report,* for instance, while highly critical of global inequalities, is explicit in calling for *more* globalization and liberalization as the remedy.

By the end of the twentieth century the political character of the United Nations was in fact undergoing a major transformation. The institution developed an ever closer relationship with transnational capital. The fusion of the public and the private spheres, well known at the level of the capitalist nation-state, seemed to be an increasing reality at the global level, insofar as U.N. operations and discourse revealed it to operate, quite explicitly, in the service of global capital accumulation. Speaking before the WEF in 1998, U.N. Secretary General Kofi Annan explained how the United Nations seeks to establish the necessary

international security and regulatory environment and social, political, and ideological conditions for global markets to flourish:

> [The U.N. agencies] help countries to join the international trading system and enact business-friendly legislation. Markets do not function in a vacuum. Rather, they arise from a framework of rules and laws, and they respond to signals set by Governments and other institutions. Without rules governing property, rights and contracts; without confidence based on the rule of law; without an overall sense of direction and a fair degree of equity and transparency, there could be no well-functioning markets, domestic or global. The UN system provides such a global framework—an agreed set of standards and objectives that enjoy worldwide acceptance. A strong United Nations is good for business. (Annan 1998, 24)

This type of public-private fusion between institutions of the TNS and the lead TNCs had spread throughout the U.N. system by the early twenty-first century. The United Nations and its agencies had signed hundreds of agreements with TNCs for joint projects and for U.N. sponsorship of corporate initiatives (Utting 2001). The UNDP described itself as an agency helping "to build the emerging markets of tomorrow, within which the private sector can grow and prosper. [The] UNDP is building linkages with the global business community to facilitate private investments and innovations that can build a global market economy in the new millennium. . . . [The] UNDP supports entrepreneurial cultures in countries in which the private sector has historically been largely absent or underdeveloped" (UNDP 2002, 1). Even such U.N. agencies as the World Health Organization (WHO) and the United Nations Educational, Scientific, and Cultural Organization (UNESCO) came to operate within the logic of global capital accumulation, taking an approach to health, education, refugees, and so on, that paralleled the commodification of these spheres at the nation-state level (see, e.g., Corporate Europe Observatory 2001; Fraser 2001; and Hayes 2001).

The Uruguay Round of world trade negotiations that began in 1986 in Punta del Este, Uruguay, under the auspices of the GATT, established a sweeping new set of world trade rules to regulate the new global economy based on: the freedom of investment and capital movements; the liberalization of services, including banks; intellectual property rights; and the free movement of goods. The free movement of goods ("free trade") meant largely freedom of intrafirm trade, which accounts for up to two-thirds of world trade and is itself a commercial expression of globalized production (Dicken 1998; World Bank 1992).

On the conclusion of the Uruguay Round the GATT created the WTO, in 1995, to supervise this new "free trade" regime. The GATT liberalizations and the creation of the WTO were backed by a powerful and well-organized lobby of TNCs. Although its powers are far from absolute, the WTO is perhaps the archetypal transnational institution of the new epoch. The WTO assumes unprecedented powers to enforce the GATT "free trade" provisions. It has independent jurisdiction, its rules and rulings are binding on all members, and it has the power to impose sanctions, to overrule state and local powers, and to override national regulatory powers. The theoretical import here is that the WTO is the first supranational institution with an enforcement capacity embedded not in any particular nation-state but rather directly in transnational functionaries and the transnational corporate elite.

The GATT's global rules have generated tensions with national blocs in their competition with transnational blocs and the policies they promote (e.g., farm policies) and evince the national/transnational class tensions discussed earlier. As the ups and downs in farm policy in the 1980s and 1990s made clear, national blocs from core countries such as the United States and the EU member states were able to use their more powerful national states to advance their interests intentionally. This confused many observers, who saw it as a sign that nation-state and North-South competition rather than globalization remained at the core of world political dynamics. As the 1990s progressed, the transnational bloc was able to impose its agenda of agricultural commodity liberalization, which makes global sourcing possible. (In turn, the collapse of agricultural sectors in the former Third World,. accelerated the proletarianization process bound up with globalization.)

A TNS Apparatus Takes Shape

By the early twenty-first century the TNS as an institution attempting to impose its authority on a fluid and spatially open process of capital accumulation was assuming some powers and historical functions that the nation-states had lost in organizing collective action to facilitate and reproduce this process in the global economy. The creation of a capitalist superstructure that carries out at the transnational level functions indispensable for the reproduction of capital, especially those that national states are unable to perform, does not mean that a TNS has become consolidated as a fully functioning political, administrative, and regulatory structure. Presently, there is no clear chain of command and division of labor within the TNS apparatus, nor is there anything resem-

bling the internal coherence of national states. Instead of a coherent TNS, there seem to be multiple centers and partial regulatory mechanisms. Moreover, the diverse institutions that make up a TNS have distinct histories and trajectories, are internally differentiated, and present numerous entry points as sites of contestation.

Nonetheless, the TNS has developed mechanisms to assume a growing number of functions traditionally associated with the national state. One is compensation for market failure, such as IMF bailouts of Mexico, Southeast Asia, Brazil, and so on. Another is money creation. The creation of the Eurocurrency, which replaced national currencies and went into circulation in January 2002, showed that money creation can be transnational. A third is legal guarantees of property rights and market contracts, which the powers of the WTO would suggest may be supranationally enforced. Yet another is the provision of public goods (social and physical infrastructure). The social policies, investment decisions, and resource mobilization determining infrastructure are increasingly set supranationally and then executed through national states. In a similar vein, fiscal intervention, credit creation, tax redistribution, and even control over capital and labor allocations are increasingly activities designed in the supranational policy arena for execution by national states. And although police surveillance and military power have remained largely at the nation-state level, the TNS has increasingly developed military mechanisms. For example, the United Nations has assumed an expanded role in global policing. In 1994 it was involved in "preventative diplomacy" or "peacekeeping" in twenty-eight conflicts, involving 73,393 military personnel, compared with its involvement in five conflicts, involving 9,570 military personnel, in 1988 (McMichael 1996). But perhaps the more important point is that the structural power of transnational capital allows it to exercise economic coercion in a way hitherto unseen, and to in part supplant the earlier forms of direct or extraeconomic coercion, such as military force, by colonial states and imperialist intervention, in the drive to shape and reproduce the dominant social structures and practices.

Despite this expanded TNS activity, there are numerous tasks that the TNS has not been able to accomplish, such as reining in speculation and excesses that so characterize the frenzied "casino capitalism" of the global economy (Strange 1986). The confidence exuded by transnational elites in the late twentieth century gave way by the turn of the century to fear of looming crisis. The series of economic crises in the late 1990s exposed the fragility of the world monetary system and caused rising alarm and growing fissures in the inner cir-

cle of the global ruling class. As the decade drew to a close, a rising chorus of voices called for centralized global financial regulation, and numerous proposals were put forward for achieving it, ranging from the creation of a world central bank to the transformation of the IMF into a lender of last resort. These proposals highlighted efforts by transnational elites to achieve some regulatory order given the inability of the TNS to stabilize the system (see chapter 4).

I do not want to reduce the analysis here to a functional one: identifying the functions of the TNS as such does not imply functional analysis so long as the conditions under which these functions are unfulfilled are specified and problematized, as I do later on, and provided that the explanations of social processes demonstrate the mechanism of agency or how a determined outcome could have been otherwise, as I have done in brief here. A satisfactory account should not imply an evolutionary notion and should leave open the possibility of historical discontinuities and of contingencies that generate alternative pathways of development, including alternative futures. The capitalist state "must be conceived both as a structure constrained by the logic of the society within which it functions and as an organization manipulated behind the scenes by the ruling class and its representatives," note David Gold, Clarence Lo, and Erik Olin Wright (1993). "The extent to which actual state policies can be explained through structural or instrumental processes is historically contingent." The evidence reviewed here suggests that the power of the emergent transnational bloc has been exercised both structurally and instrumentally. The interests of transnationally mobile capital have been met "behind the backs" of transnational capitalists as collective actors and by virtue of the structural power their dominant role in the global economy accrues. But at the same time, the process has involved an instrumentalization by emerging transnational fractions of the bourgeoisie of existing and newly created TNS apparatuses.

The reason the dense network of supranational organizations discussed here assumes the functions of a TNS is that transnational classes and groups operate through the network at multiple levels. Global corporate executives, for instance, manage their European capital operations through EU administrative structures, plan investments in North American through the NAFTA, consult with the IMF and the WB on Latin American macroeconomic performance as regards their South American activities, coordinate their Asian plans with the Asian Development Bank over infrastructural needs, and so on. These same executives share their worldwide experience and strategize at the annual meetings of the WEF in Davos, Switzerland, over what proposals to bring to the

WTO or the UN, just as IMF and WB officials, central bankers, and private transnational bankers mingle together each year at the annual IMF and WB meetings in Washington, D.C., to discuss global finances and draw up policy. As transnational capitalists move about the world, their practices integrate these diverse supranational forums into a coherent network.

Let us take the example of the corporate lobby set up by executives from the leading private transnational financial institutions and service corporations to push for the passage in the WTO of a General Agreement on Trade in Services (GATS). The GATS, negotiated under the auspices of the WTO, was aimed at overriding national regulatory systems for finances and for services ranging from healthcare and educational systems to energy, water, and transportation and liberalizing the worldwide trade in these areas (Palast 2001). In 1999 top representatives of the transnational corporate community set up a Liberalization of Trade in Services (LOTIS) committee, headed by Peter Sutherland, at the time chairman of Goldman Sachs and formerly the WTO director general, together with officials from the WTO, the EU, and individual European governments. Over the next three years the LOTIS committee held a series of closed-door meetings to map out a GATS agreement and a strategy for achieving its approval within the WTO, and LOTIS committee business executives met regularly with EU, WTO, and international financial institute officials and with key policymakers from individual governments (for details see Palast 2001). The LOTIS committee also liaised with a number of other corporate groups and coordinated their lobbying effort. One of these was the Financial Leaders Group, representing private financial interests, formed in 1996 when the WTO Secretariat, together with U.S. and EU officials, invited Ken Whipple, president of Ford Financial Services, and Andrew Buxton, chairman of Barclays Bank, to form a high-level transatlantic pressure group (Wesselius 2002). Buxton also chaired the European Service Leaders Group, made up of CEOs in the service sector from across Europe. Other groups included the European Services Forum, the U.S. Coalition of Service Industries, the Japan Services Network, the Global Business Dialogue on Electronic Commerce, the Global Services Network, and the Global Alliance for Transnational Education (Wesselius 2002). Here we see with crystal clarity the agency of transnational capitalists in utilizing the TNS apparatus to construct a legal, regulatory infrastructure of global profit making, that is, for advancing their class interests. LOTIS committee activities served to coordinate the activities of different entities within the TNS, synchronizing the policies of the EU, the WTO, and individual gov-

ernments in order to secure a liberalized and unified legal and regulatory framework for the global economy.

In sum, it was out of the process summarized above that a TNS apparatus began to emerge, not as something planned as such but as the political consequence of the social practice and class action of the TCC in the historic juncture of the late twentieth and early twenty-first centuries and as an apparatus that was not replacing but emerging out of the preglobalization infrastructure of world capitalism. A TNS is emerging, just as globalization has unfolded, not in any predetermined way or by any historical inevitability. Rather, these are particular outcomes of an infinite variety of local struggles and collective agencies that were united objectively, if not subjectively, by their structural roots in the spread of global capitalism and in their collective effects on a larger world polity, culture, and economy. It becomes clear in examining these manifold processes how the TNS exerts a determining influence on class formation around the world. The relationship between capitalist development and the state is mutually determining rather than unidirectional. That is, the state and what it does shapes the direction of capitalist development just as much as the dynamics of the capitalist system shape the state. The recursive influence of the TNS on global class formation is precisely what we would expect from a historical-materialist theoretical understanding of the state as an element of political mediation between social forces and productive structures that serves to reproduce or transform class and group relations. But this snapshot of the rise of a TNS is not complete: we need to examine as well the transformation of the national state since this is an integral part of the story.

From Welfare and Developmentalist to Neoliberal National States

If the accumulation of money capital outside of the nation-state system was one important aspect of the process of economic globalization, it was also a key mechanism in the incorporation of countries, especially peripheral ones, into the transnationalization process, and more generally, in the transformation of welfare and developmentalist into neoliberal states. The debt crisis of the 1980s and 1990s (see table 3.1) imposed the power and authority of global capitalism within the very structure and functioning of Third World national states. Debt led to the reinsertion of countries and regions around the world into a reorganized global economy. The massive infusion of recycled liquid capital into the Third World in the 1970s, linked to the concentration of economic power in transnational finance capital, had profound effects on existing groups and

class constellations in the periphery. The need to earn foreign exchange to pay back the debt (the structural power of transnational capital over debtor states, along with the direct pressures of core national states, enforced payback) forced nations to restructure their economies in favor of exports in accordance with the changing structure of world market demand. Over an extended period, debt contraction and subsequent reservicing had the consequence of strengthening those sectors in the local economic structure with external linkage, redistributing quotas of accumulated political and economic power toward new fractions linked to transnational capital.

At a certain point in this process the debtor nation is unable to maintain fiscal solvency and turns to the supranational economic institutions for assistance, which is made conditional on the adoption of a structural adjustment, or neoliberal, program. As discussed in the previous chapter, these SAPs massively restructured the productive apparatus in these countries and reintegrated into global capitalism vast zones of the former Third World under the tutelage of the emergent TNS (see, e.g., Cheru 1989; Chossudovsky 1997; Green 1995; and Overbeek 1993). The TNS has pursued through the neoliberal model what Offe and Ronge (1975) term "administrative recommodification," the creation of conditions under which values can function as commodities, meaning the creation of the institutional conditions under which profit can be made. The services of the TNS in imposing adjustment and restructuring programs have helped restore the overall conditions for the profitable ("efficient") renewal of capital accumulation through new globalized circuits and, along with them, for social reproduction in the age of globalization. As stated in chapter 2, neoliberalism is the "grease" by which global capitalism tears down all nonmarket structures. We can now see more clearly how neoliberalism, by peeling back and making accessible to transnational capital every layer of the social fabric, helps dissolve the boundaries between the national and the global.

Here we see the nuts and bolts of the transnationalization of the national state. Economic restructuring begets political restructuring as power is redistributed in society, and also within the national-state apparatus itself, toward emergent transnational nuclei of local dominant groups. The adjustment process facilitates a contraction in overall demand as a result of austerity, public-sector layoffs, and other policies and, simultaneously, a transfer of income and resources from workers and small-scale producers to large producers and bureaucratic personnel tied to transnational capital (see, e.g., Chossudovsky 1997). Restructuring results in a transfer of state resources from programs support-

ing working-class reproduction to those state agencies connected to globalization, in which the technical criterion of "efficiency" replaces all social criteria that might contravene the logic of cross-border capital accumulation. It similarly effects a transfer of power from program-oriented ministries (social services, education, labor, etc.) to central banks, treasuries and finance and economic ministries, and the foreign ministry. As resources are transferred from the domestic to the external sector, and from these to the world market, transnational pools in each nation are strengthened. These transnationalized fractions became incorporated into the transnational bourgeoisie and set about to capture local states, often through the political reorganization of peripheral states effected during "transitions to democracy" (Robinson 1996b). In fact, it is not uncommon for presidents of central banks to be appointed by the IMF or the WB. The movement toward central-bank independence in recent years has the purpose of insulating the "commanding heights" of national-state policy making from any public control or accountability, as well as insulating the organs of the state that tie each national economy to the global economy from the organs of the state that could come under public pressure (see, e.g., *Economist* 1998). A recent WB report was explicit on this matter. Reforming the state, the report asserted, begins "with a few critical enclaves[, which] typically include the ministry of finance, the central bank, and the tax collection agency. . . . [Restructuring these organs] can mostly be achieved through executive order . . . [and should] establish effective macroeconomic management by an insulated technocratic elite" (World Bank 1997, 152).

Local technocratic elites come to operate through the networks of the TNS that bypass the formal channels of government and other social institutions subject to popular influence (on the rise of technocrats, see Dominguez 1997). Power passes upward to supranational structures, including financial networks, as this supranational political integration proceeds. There is a loss of whatever democratic control, or at least influence, the citizenry may have been able to exert over policymaking and resource allocation. Decision-making and regulatory mechanisms emanating from supranational agencies and from local contingents of the transnational bourgeoisie are superimposed on national states, which themselves become absorbed into the emergent TNS apparatus. However, while the TNS does impose neoliberal adjustment programs, the supranational integration of national-state apparatuses does not necessarily come from outside. This is not a one-way penetration: it is as much the result of strategies pursued by local dominant groups in the process of transnational-

ization as it is of external imposition, which is generally emphasized in the literature (reflecting the national-global dualism). When state managers adjust national economies to the global economy, they do so not necessarily because they are compelled to by some "external" (extranational/global) force. This national-global duality is a mystification.

SAPs thus help undermine the multiclass political coalitions and social projects that developed in the preglobalization period, such as the populist projects and the developmental states in the Third World. (Although the core countries, save Great Britain, generally have not adopted IMF programs, the same adjustment pressures emanating from the global economy undermine the Keynesian welfare projects there.) New transnational blocs come to replace these multiclass coalitions. For this purpose, WB and IMF SAPs emphasize "policy dialogue" and "institution building" as a way of organizing coalitions in governments sympathetic and attuned to the restructuring program (McMichael 1996, 141). Labor and popular classes are expunged by the new dominant bloc from the political coalitions and social projects of the preglobalization period.

In the 1980s the TNS charted a new model of development. In 1980 the WB replaced its definition of development as national economic growth, now defining it as successful "participation in the world market" (McMichael 1996). At the core of the new development model was a wholesale shift from production for domestic markets to production for the world market, signaling the subordination of local circuits of accumulation to new, global ones. Later in that decade the definition was extended to include a policy of broad liberalization (McMichael 1996, 149, 59). The new development model is based on each country's rearticulation to world markets through the introduction of new economic activities linked to global accumulation, the contraction of domestic markets, the cheapening of labor through casualization and social austerity to make it "competitive," and the opening up of each country's public sectors, protected industries, and natural resources to commercial exploitation (Robinson 1998–99, 2003b). Through this process the neoliberal states institutionalize locally the new global class relation discussed earlier. The neoliberal national states of the late twentieth century reflect the new historical correlation of social forces that emerged following the breakup of the capitalist state structures that were shaped by particular class and social struggles from the 1890s into the 1970s.

Hence, far from the end of the nation-state, which a slew of studies on globalization proclaimed (e.g., Guehenno 1995; and Ohmae 1996), we are witness to its transformation into neoliberal states. These neoliberal states as components

of a TNS provide essential services for capital. These neoliberal states, acting as transmission belts and filtering devices for the transnational agenda, function as components of a TNS. They provide essential services for capital within specific national territories. In particular, they perform three essential functions: (1) adopt fiscal and monetary policies that assure macroeconomic stability; (2) provide the basic infrastructure necessary for global economic activity (air- and seaports, communications networks, educational systems, etc.); and (3) provide social order, that is, stability, which requires sustaining instruments of direct coercion and ideological apparatuses. Indeed, the WB's 1997 *World Development Report*, subtitled *The State in a Changing World*, was a virtual blueprint for the transformation of national states along these lines. When the transnational elite speaks of "governance," it is referring to these functions and the capacity to fulfill them. This is made explicit in the report, which points out that the aegis of the national state is central to globalization. In the WB's words, "globalization begins at home" (12). But the functions of the neoliberal state are contradictory. As globalization proceeds, internal social cohesion declines as national economic integration declines. The neoliberal state retains essential powers to facilitate globalization, but it loses the ability to harmonize conflicting social interests within a country, to realize the historical function of sustaining the internal unity of a nationally conceived social formation, and to achieve legitimacy. This helps explain the collapse of the social fabric in country after country and outbreaks of spontaneous protest among disembedded layers. The result is a dramatic intensification of legitimacy crises, a contradiction internal to the system of global capitalism.

Transnational Civil Society, the TCC, and the TNS

Private TCC Forums

Investigation into the social mechanisms that regulate the functional relationships bound up with the TNS would include, along with an examination of the linkages between transnational capitalists and TNS apparatuses, a focus on the gamut of *private* transnational business associations and political planning groups that have proliferated since the 1970s through which the transnational elite has exercised its agency. Social scientists have studied elite planning groups at the national level as important forums for integrating and socializing class groups, producing new policies and initiatives, developing strategies

and projects, and forging consensus and cultural cohesion (see, e.g., Dye 1986; Domhoff 1998; Mills 1959; and Useem 1984). The growing network of such private groups at the *transnational* level points to the expansion of a *transnational civil society* as part of the globalization process and parallel to the rise of a TNS. They include such well-known bodies as the Trilateral Commission, the International Chamber of Commerce (ICC), and the WEF, as well as more specialized associations of transnational capitalists, such as the Institute of International Finance, which was created in 1983 by representatives from transnational banks and investment firms. The Institute of International Finance has three hundred members in fifty-six countries around the world and acts as a policy center, lobbyist, researcher, and consultant for its membership, a virtual political center for transnational finance.

The TNS has been one important forum of transnational class socialization, as have world-class universities; transnationally oriented think tanks; the leading bourgeois foundations, such as Harvard's School of International Business, the Ford Foundation, and the Carnegie Foundation; policy planning groups such as the Council on Foreign Relations; and so on. As noted earlier, elite planning groups are important forums for integrating class groups, developing new initiatives, collective strategies, policies, and projects of class rule, and forging consensus and a political culture around these projects. Since at least late in the twentieth century the corporate elite has operated through political organizations. These peak business associations connect capital with other spheres (governments, organs of civil society, cultural forums, etc.) at numerous levels. In the United States these associations have included, for instance, the Business Roundtable, the Chamber of Commerce, and the National Association of Manufacturers, among others. In recent years there has been a veritable proliferation of *transnationally* oriented capitalist organizations and planning groups beyond such better-known ones as the Trilateral Commission.

Perhaps the most important clearinghouse for the global corporate elite is the ICC, with more than seven thousand corporate members from around the world, a virtual who's who of global corporations. The ICC is highly politically active. It played a key role in the closing of the U.N. Center on Transnational Corporations, an agency that had been set up in the 1970s to monitor the conduct of TNCs and had proposed a program to hold corporations accountable to codes of conduct. The ICC has been a leading force behind powerful transnational corporate lobbies against international environmental treaties (including the Kyoto Protocol, the Convention on Biodiversity, and the Basel Con-

vention against trade in toxic waste) and against the regulation of trade and investments (it was the prime backer of the MAI). It has vigorously promoted liberalization, deregulation, and privatization worldwide in close connection with the leading organs of the TNS, such as the WTO and the Bretton Woods institutions. In the 1990s it established partnerships and joint projects with numerous U.N. agencies, including the UNDP, UNCTAD, and the U.N. Environmental Program (UNEP). In February 1998, for instance, the ICC organized a meeting between top global corporate executives and top U.N. officials. "The two groups resolved to form a close global partnership to secure greater input from ICC member companies into the UN's economic decision-making," stated a press release following the meeting. The ICC also launched an offensive against the worldwide movement against corporate-led globalization (Geneva Business Declaration, quoted in Corporate Europe Observatory 2001, 1).

The WEF

The WEF stands out as the most comprehensive transnational planning body of the TCC and the quintessential truly global network binding the TCC together in a transnational civil society. As Kees van der Pijl notes, the WEF's component bodies are all acknowledged *class* organizations in the sense that they are subject to "strict conditions of admission in order to preserve their peer character" (1998, 133). These bodies include the CEOs of the top one thousand TNCs, who are known as Foundation Members and form the core of the WEF; representatives from one hundred of the most influential media groups worldwide (World Media Leaders); key policymakers from national governments around the world and from international organizations (World Economic Leaders); select academics and experts from political, economic, scientific, social, and technological fields (Forum Fellows); and so on. This is an ultraexclusive club that bars membership; "Leaders" and "Fellows" are members by invitation or appointment only. "A body of this scope clearly has not existed ever before," observes van der Pijl. "It is a true International of capital" (1998, 133). The WEF has established "partner institutes" throughout the world. These include, for example, academic departments, whether housed within a private institute or a government agency, such as Jordan's Institute of Public Administration; government agencies, such as the Colombian National Planning Department; and business associations, "often the peak association of large private corporations," such as Iceland's Confederation of Employers and New Zealand's Employers Federation (Murphy 1999).

Here we get a remarkable glimpse of the TCC as a global ruling class in the process of establishing its authority within a *transnational extended state,* in the Gramscian sense, comprising both political society (the state proper) and civil society. Recall that in Gramsci's view a hegemonic project is constructed from within this extended state. Also relevant is Gramsci's notion of the role of planning groups and think tanks as "collective intellectuals" of or for the ruling class. The annual WEF summits in Davos, Switzerland, bring together the highest-level functionaries of the TNS and the highest-level representatives of the TCC. "The key to Forum activities is direct access to strategic decision-makers, in a framework designed to encourage economic development via private sector involvement," according to the WEF. "This direct interaction between public and private sector and experts leads to the creation of a partnership committed to improving the state of the world" (quoted in Rupert 2002, 14). It is precisely through the development of such functional linkages between the "public" and the "private" levels of the extended state that historic blocs are forged. As Mark Rupert has argued, "The Forum is an organization in which the various segments of the global power bloc can come together under the leadership of transnational capital to construct a unifying political vision, and present to the rest of the world the interests of global capital in the guise of a universal vision" (Rupert 2002, 15). As WEF president Klaus Schwab himself openly stated during his address at the 1996 WEF summit in Davos, Switzerland, "Business has become a major stakeholder of globalization and has a direct responsibility to contribute to the stability of our global system."

The global media have played a crucial role in the socialization of the TCC and in the development of its hegemonic project. The ownership and merger of media worldwide is a major area of transnationalization. Beyond the economic implications of the transnational corporate media and their tight control over the worldwide flow of information and images are issues of cultural domination. The global corporate media play an essential role in producing the ideological and cultural bases for a hegemonic bloc that brings together the TCC and other classes, groups, and strata. This transnational socialization of the TCC is crucial to the extent that class formation is as much a subjective as an objective process and is complemented by the creation of transnational "epistemic communities" of organic intellectuals. Social scientists have long noted the role of cultural, educational, and other mechanisms that generate the cohesion necessary for the members of a class to bind together and reproduce themselves as a class (see, e.g., the works of Domhoff, Dye, Mills, and Useem).

The process of transnational socialization, including an emergent TNS as an organic representation of the TCC, transnational capitalist forums, the role of the media, and so on, needs to be studied further.

But Isn't the United States a Superpower? The Debate on U.S. Hegemony and Hegemonic Transitions

Any theory of global capitalism and any theses on a TNS are not complete without an examination of their implications for the thesis of U.S. hegemony and hegemonic transitions. My propositions on transnational hegemony have been hotly contested. I have been arguing since the early 1990s that the hegemonic baton will likely be passed from the United States, not to a new hegemonic nation-state or even to a regional bloc, but to a transnational configuration, the global capitalist historic bloc discussed in chapter 2. Transnational structures, let us recall, are emerging from the womb of a nation-state system that itself has developed unevenly. The form of the old inevitably shapes that of the new. The old and new exist in both the structural organization of globalization and the subjective thinking of its actors and agents. We are witnessing the decline of U.S. supremacy and the early stages of the creation of a transnational hegemony through supranational structures that are not yet capable of providing the economic regulation and political conditions for the reproduction of global capitalism.

But my argument has met with stiff resistance from social scientists from a variety of traditions who advance such scenarios as competing regions, hegemonic rivalries, and a U.S. drive for world hegemony (see, e.g., Arrighi 1994; Arrighi and Silver 1999; Frank 1998; Freeman 2002; Gibbs 2001; Goldfrank 2001; and Gowan 1999). In these scenarios the world system is assumed to still be characterized by competitive nation-states as the appropriate subunits of analysis. I want to argue instead that hegemony is exercised not by states but by social groups, classes or class fractions, by a particular social configuration. When we speak of *British* hegemony, we are not referring to the country. We are merely using *British* as a shorthand for the hegemony of British capitalist groups and allied strata, such as British state managers and middle-class sectors, in the context of world capitalism. But problems arise when we forget that this is just shorthand. The term *hegemon* is generally evoked in a particularly misleading way because a country or a state cannot be a hegemon. A social group exercising hegemony through a state may be hegemonic; hence the use

of the term *hegemon* to describe that state is a shorthand that is highly susceptible to reification. If classes and groups are nationally organized, then this shorthand is justified, but if a case can be made that classes and groups are no longer in the main national, then we may need to reconsider the shorthand and reformulate the conceptions that justified it.

The stubborn Weberian problem of reification, which predominates among world-system, international-relations, international political economy, and even Marxist paradigms of world political dynamics, leads us time and again to confuse the collective agency of historically situated and evolving social forces, who operate from within and outside institutions such as states that are themselves historical and evolving, with the state/nation-state as a fictitious macroagent. Reification prevents us from identifying the constellation of social forces in conflict and cooperation, with their changing historical development, interests, and relations, as explanatory of state policies, ideologies, and so on (what states "do"). There is no justification for assuming a priori, rather than demonstrating, that particular constellations of social forces exercising a commanding influence over national states around the world in the early twenty-first century are nationally based, that is, that their interests lie in defense of national economies and capitalists in competition with those from other nations.

I do not believe that the prevailing theoretical framework of hegemonic transitions, with its state structuralism and nation-state centrism, is adequate to capture the current period of change insofar as new transnational social forces have emerged that are no longer grounded in particular states and the old dynamics of state and geopolitical competition. Hegemonic-transition theories see world hegemony as exercised by particular nation-states or geopolitical entities. The logic of a competing nation-state system as the basis for analyzing world dynamics leads analysts to search for hegemony in some type of nation-state configuration in the new global order. The world-system approach to hegemony focuses on successive *state hegemons,* from the Italian city-states to Holland, Great Britain, and then the United States. The new period may involve major discontinuities associated with novel qualitative change in the political economy of world capitalism. The problem with state-centric and nation-state-centric analyses is that they do not allow us to conceive of an emergent global hegemony in terms of transnational classes and groups not necessarily bound to any one state or to specific geographies.

Are world political dynamics in the twenty-first century driven by geopolitical competition? The claim that Great Power rivalry is again on the increase

was popular in the early 1990s and enjoyed a comeback after the 2003 U.S. invasion of Iraq in the face of French, German, and Russian opposition. A more nuanced approach saw struggle among competing core power blocs for hegemonic succession in the wake of U.S. decline. In this "three competing blocs" (or "regionalization") scenario, the EU, U.S., and East Asian blocs were nonglobal regional formations. Each core grouping was said to be integrating its periphery into a regional formation in competition with rival regional blocs, and a number of scholars predicted the rise of an East Asian hegemon. The notions of renewed Great Power rivalry and of three competing blocs have been backed by little concrete evidence and have not really been supported by global political and economic dynamics in recent years. An analysis of global investment patterns by TNCs suggested that each bloc was interpenetrated by the other two and that the blocs formed an increasingly integrated global "triad" based on the expanding interpenetration of capital among the world's top TNCs. As these capitalists integrate, they draw local networks and production chains into complex cross-national webs, making it difficult to box political relations between states and competition between economic groups into the old nation-state geopolitical framework. In this outdated framework, "Asian" economic success is said to constitute a competitive threat to "U.S." interests and a sign of geopolitical competition. But we could only reach such a conclusion by ignoring the fact that East Asian dynamism is inseparable from the massive entrance of transnational capital and that local elites have sought, not a regional circuit of accumulation in rivalry with circuits elsewhere, but a more complete *integration* into globalized circuits. "U.S." investors have hundreds of billions of dollars invested in Asia. Economic dynamism benefits these investors as much as it benefits local elites. Given an open global economy and capital's global mobility, superior economic performance in a particular region clearly benefits all investor groups in that region. Even if the argument could be made that leading national states protect the interests of investors within determined national borders—that is, even if capital still has a territorial dimension and world politics still has a geopolitical content—the fact remains that those investors originate from many countries. Capitalists with investments in the territory of the United States, for instance, carry passports from Germany, France, Saudi Arabia, Mexico, Japan, Brazil, Korea, and numerous other countries, and the U.S. national state protects and promotes their investments.

A more satisfying explanation than geopolitical competition, I suggest, is that regional accumulation patterns reflect certain spatial distinctions com-

plementary to an increasingly integrated global capitalist configuration. What we see is less a *recentering* of the global economy in East Asia, which Giovanni Arrighi and Beverly Silver (1999, 219) claim from the world-system perspective, than its *decentering*, its fragmentation and the rise of several zones of intensive global accumulation. One such zone in Europe runs from the northwest to the southeast, cutting across borders and reaching out into areas of Eastern Europe. Another, in North America, is the U.S.-Mexico border zone. Several such axes crisscross East Asia. These may not be territorially bound rivals for hegemony so much as sites of intensive accumulation within a global economy that bring together transnational capitalists and elites in diverse locations around the world, which is precisely what we would expect from a supranational, decentered transnational configuration. The recurrent dualisms of "states and markets," or of the economic and the political, has led to a dual-logic approach: at the economic level the global logic of a world economy prevails, whereas at the political level a state-centered logic of the interstate system prevails. For Arrighi, Silver, and their colleagues, this dualism is expressed as U.S. military power and East Asian financial power, an interpretation that I believe confuses our understanding of the current period more than it clarifies it. Such nation-state centrism rules out the prospect of a transnational hegemony's representing a discontinuity from past transitions.

The rise of a TCC and a TNS does not imply the absence of conflict between distinct capitalists groups and state elites. Conflict is prone to occur at multiple levels: between transnationally oriented elites and those with a more local, national, or regional orientation; between agents of global capitalism and popular forces; among competing groups within the globalist bloc, who may foment interstate conflicts in pursuit of their particular interests; and so on. The picture is further complicated by the instability wrought by the breakdown of social order and the collapse of national-state authority in many regions. However, the key point is this: conflict and competition must take place through institutions that either already exist or are created by groups in conflict. National states may be utilized by a multiplicity of capitals, none of which are necessarily "national" since national networks of capital have become overlapping and interpenetrating. Capital requires a state, and capitalism cannot exist without an institution to regulate and coordinate accumulation, adjudicate among capitalists, impose social control, and so forth. However, as Robert Went has observed, concurrent with my analysis, "capital's home government need not necessarily undertake [these functions]. The domestic state where capital originates

from may do so, but there are alternatives, such as, e.g., foreign state structures, capital itself either singly or in conjunction with other capitals, or state bodies in cooperation with each other" (Went 2002, 108).

The TNS, I have emphasized, does not yet constitute a centralized global state, and *formal* political authority remains to a considerable extent fragmented, and fragmented unevenly, among weaker and stronger national states. This peculiar institutional structure is a historical contradiction of the global capitalist system. It presents transnational elites with the possibility, as well as the need, to influence a multitude of national states. State managers are exposed to multiple and contradictory pressures, including distinct sets of local and transnational demands. National states are bureaucratic apparatuses operating according to standard procedures and established routines. They are subject to ongoing instrumental pressures from a variety of sectors. State managers may respond to the agenda of a transnational elite, but they must simultaneously sustain legitimacy, or at least attempt to, among nation-based electorates and often develop contradictory strategies and legitimation discourses. These multifarious processes can produce confusing and unpredictable behavior on the part of policymakers within states, even such seemingly "schizoid" conduct as the enactment of protectionist measures in one area simultaneous to liberalization in other areas. It is the task of our analysis to discern underlying tendencies, but this does not mean that every event can be explained by these tendencies.[5]

What about challenges to the global capitalist bloc from forces opposed to the transnational agenda? Challenges of this sort are likely to come from two sources: subordinate groups in transnational civil society or specific nation-states captured by these groups; and dominant groups that are less integrated into, or even opposed to, global capitalism, such as the Baath Party/Iraqi state elite prior to the 2003 U.S. invasion, sectors among the Russian oligarchy, or

[5]Let me reiterate: The manifold processes of globalization are contradictory. Generalizations drawn from day-to-day events risk becoming outdated before they are printed. My critics typically point to a specific event, such as a U.S.-EU trade dispute or a unilateral U.S. intervention against the wishes of allied national states, to invalidate my thesis on global capitalism. But my concern is to identify both the historical tendencies under way and the actual observed trends. By *tendencies* I mean movements over time in a system that are immanent to the system. The outward expansion of capital, involving its increasing transnational integration and pressure for a TNS, is a tendency generated by the capitalist system. By *trends* I mean observed regularities not necessarily indicated as being generated by some underlying structural feature of the system. Both the tendency and the actual trend in recent decades have been toward the rise of a TCC and a TNS. There are many contradictions, counterveiling tendencies, contingent possibilities, and conflicts that may push in an unforeseen direction, or even reverse, what is an open and fluid process.

Chinese economic and political elites. The uneven development of the transnationalization process is an important source of conflict. Distinct national histories, regional experiences, and political cultures shape how particular countries enter the global system. Despite TCC formation in Russia, to take one example, powerful economic groups in that country appropriated Soviet state enterprises grounded in regional Russian markets rather than global markets. These groups are more directly dependent on Russian expansionary influence and state support than they would be if their enterprises exhibited a greater integration into global capital circuits. The emerging global order, we should bear in mind, is *unevenly* hegemonic. Hegemonic power does not operate in a uniform manner around the globe.

Could regionally-oriented elites, as opposed to globally oriented ones therefore attempt to chart an independent course, say, in East Asia, should they manage to gain state power? Could they withdraw their region from the global economy or try to set up a regional alternative to it? This is a plausible, if unlikely, scenario, but does it validate the conclusion that twenty-first-century world political dynamics are actually driven by regional competition for hegemony? I think not. First, as I have already pointed out, the extensive transnational integration of regional economic groups and the interpenetration of their capitals is particularly noteworthy in the case of European and East Asian groups, precisely those that according to predominant thinking are most likely to be contenders for regional hegemony. Why would the interests of these groups lie in a withdrawal into their own regions or into a competing regional center, rather than in a globally integrated system? Second, there is little empirical support in actual politics for the claim that Asian elites are seeking regional hegemonic pretension and much in the foreign and economic policies of East Asian nations to suggest just the opposite, that is, an increasing transnational orientation among these groups. Third, the view that dominant groups in Europe or Asia are seeking the hegemony of their regions, even if this were backed by evidence, does not justify the thesis of U.S. hegemonic pretension, insofar as U.S. state policy could well be seen as an effort to shore up global capitalism against attempts to regionalize the world economy.

How, then, do we understand such "evident" realities of trade wars, often acrimonious differences among core power governments, and above all, the preponderant role of the United States in world affairs, its seeming hegemony, and its often unilateral military intervention abroad? According to extant paradigms, U.S. state actions in the global arena are undertaken in defense of "U.S.

interests" (see, e.g., Gibbs 2001; Gowan 1999; and Tabb 1999). Most scholars and analysts see the institutions of the TNS as instruments of U.S. hegemony. "The main project within the WTO [is] what we can call the Anglo-American project," claims Walden Bello, echoing the typical argument. "The same is true of the IMF and the World Bank. What we are really talking about is the Anglo-Americanization of capitalism" (Bello 2002b, 39). But an official from the U.S., German, or Japanese government who staffs the IMF or the WTO may well be pursuing transnational capitalist interests, and not (reified) "U.S.," "German," or "Japanese" interests, within these organizations. When the IMF or the WB opens up a country through liberalization measures, it is opened not exclusively to "Anglo-U.S." capitalists but to capitalists from anywhere in the world. Whether the U.S.-hegemony thesis or my alternative transnational argument is a better explanation of contemporary world dynamics can be determined by studying state policies and practices with a focus on the particular, shifting historical constellations of social forces that drive them. When the matter is approached from an empirical standpoint, there is little evidence to suggest that U.S. state policies in recent years have advanced the interests of "U.S" capital over other "national" capitals. Analysis would suggest, to the contrary, that the U.S. state has, in the main, advanced transnational capitalist interests. And an analysis of TNS institutions suggests that they act not to enforce "U.S." policies but to force nationally oriented policies in general into transnational alignment.

The United States has taken the lead in developing policies and strategies on behalf of the global capitalist agenda precisely because it was the last "hegemon" among core powers, because globalization emerged in the period of worldwide U.S. dominance, and the concentration of resources and coercive powers within the U.S. national state allows it to play a leadership role *on behalf of* a transnational elite. Due to the particular manner in which the world economy and global capitalist relations unfolded in the post–World War II period, the "U.S. contingent" of the transnational elite was the first to become thoroughly transnationalized. To advance its interests the TCC has relied on existing national-state apparatuses and, increasingly, on the emergent apparatus of a TNS, and in doing so it has found the U.S. national state to be the most powerful of these apparatuses. This is the particular form through which the old geopolitics of the nation-state are simultaneously being played out and winding down. In a major report on the G-7 for the Institute of International Economics, Fred Bergsten and C. Randall Henning emphasize that the United States has played an activist role in the G-7 in favor of globalism rather than regionalism. "The

United States, despite the rhetoric of a few neoisolationist politicians, remains the only global power with active interests in all parts of the world," they note. "All other G-7 countries have a narrower geographic focus" (1996, 68). In other words, the leading functionaries and intellectuals of the U.S. national state, as a (the) crucial component of a larger TNS structure, push the globalization process forward decisively.[6]

What about "trade wars" and "national competition," which are seen by scholars such as Brenner (2002) to drive world political dynamics in the twenty-first century? Trade tensions may well break out between individual sectors (such as banana producers) that turn to specific national states for support. But the evidence suggests a process of mutual competition and integration across borders rather than U.S. hegemony. As I have shown in the previous two chapters, capitalist groups that in earlier epochs produced nationally and then exported to the world market have largely replaced this strategy with in-country production. In 1997, global figures for sales by TNC in-country affiliates reached $9.7 trillion, compared with cross-border trade, which totaled $5.3 trillion (USITC 2001, 1–3). According to the U.S. International Trade Commission, in 1997 sales by U.S.-owned foreign affiliates abroad totaled $2.4 trillion, compared with $928 billion in U.S. exports. Sales by foreign affiliates inside the U.S. reached $1.7 trillion, while their imports amounted to $1 trillion (USITC 2001, 2–6). Under these circumstances "trade wars" begin to lose all meaning if they are analyzed in the conventional terms of rival national capitalist groups and their respective states.

This does not mean that trade conflicts are illusory. Capitalist competition under globalization is as fierce as it has ever been. But it is less a case of national states using their power to win export markets for territorially based corporations than one of competition among transnational corporate conglomerates

[6]Bergsten and Henning's 1996 report, *Global Economic Leadership and the Group of Seven,* warned that the G-7 was losing its effectiveness, that it seemed to be reduced to "a useful firefighting brigade" (2–3), and called for the United States to play a more rigorous role in revitalizing the forum. The report was seen by some as reflecting growing rivalries among core powers, but a careful reading gives weight to the interpretation I am putting forward here. Bergsten and Henning's analysis does not suggest heightened rivalry as the explanation for the declining effectiveness of the G-7. Rather, it suggests that the expansive nature and ever greater reach of global capitalism required broader and more encompassing instances of political management than could be achieved by the G-7. The report called for the G-7 to develop a global rather than a regional perspective, for the IMF to be strengthened, and for an expansion of the G-7 to include other major countries in the global system. Indeed, shortly after the report was published the Clinton administration convened the Group of 22, drawing in such major nation-state actors as India, Mexico, Brazil, and Turkey.

seeking advantages over competitors through corporate dominance achieved via the global integration of production facilities and seeking the favor of a multiplicity of states. Competition in the globalization epoch takes place among dense networks of transnational corporate alliances and through struggles within every country and within transnational institutions. Given their global interests and the extent of their transnational interpenetration, TNCs must take an active political and economic interest in each country and region in which they operate. They may turn to any national state to gain competitive advantage as part of their corporate strategy. Globalization is not a national project but a class project without a national strategy, or rather, with a strategy that seeks to utilize the existing political infrastructure of the nation-state system and simultaneously to craft TNS structures. The thesis of "national competitiveness" is an ideology that legitimates the class power of the TCC.

We have not seen a resurgence of the old imperialism or an intensification of interimperialist rivalry. The classical theories of imperialism emphasized core national-state control over peripheral regions in order to open these regions to capital export from a particular imperialist country and to exclude capital from other countries. "Export capital feels most comfortable . . . when its own state is in complete control of the new territory, for capital exports from other countries are then excluded, it enjoys a privileged position," observed Rudolph Hilferding in his classic study on imperialism ([1910] 1981, 322). The competition among these competing national capitals, according to the classical theories of imperialism, led to interstate competition and military rivalry among the main capitalist countries. The structural changes that have led to the transnationalization of national capitals, finances, and markets and the actual outcomes of recent U.S.-led political and military campaigns suggest new forms of global capitalist domination whereby intervention creates conditions favorable to the penetration of transnational capital and the renewed integration of the region in which the intervention has taken place into the global system.

Global capitalism requires an apparatus of direct coercion to open up zones that may fall under renegade control, to impose order, and to repress rebellion when it threatens the stability or security of the system. There are no transnational capitalist armed forces, and there may not be for many years to come. Transnational investors, who may carry a passport from any country, need to know as they move their capital around the world that there will be ultimate coercive protection of their capital and of property rights. There must be political authority with a coercive capacity to attempt to secure the environment

necessary to undertake accumulation. Where are global elites to turn? For historical reasons the U.S. state houses and exercises direct control over the principal military machine in the world, and that military machine has been deployed on a regular basis in the globalization era as the ultimate guarantor of global capitalism and its authority. The U.S. state is the *point of condensation* for pressures from dominant groups to resolve problems of global capitalism and for pressures to secure the legitimacy of the system overall. This subjects it to great strain.

Michael Hardt and Antonio Negri (2000) have provided us with an appropriate image of the global capitalist system as "empire." They state that the epoch of globalization has seen a shift "from imperialism to empire." This empire and its legitimacy are sustained through ongoing military intervention (spearheaded by the U.S. military machine), or "police action":

> We can thus recognize the initial and implicit source of imperial right in terms of police action and the capacity of the police to create and maintain order. The legitimacy of the imperial ordering supports the exercise of police power, while at the same time the activity of global police force demonstrates the real effectiveness of the imperial ordering. The juridical power to rule over the exception and the capacity to deploy police force are thus two initial coordinates that define the imperial model of authority. (17)

They continue:

> The deployments of the imperial machine are defined by a whole series of new characteristics, such as the unbounded terrain of its activities, the singularization and symbolic localization of its actions, and the connection of repressive action to all the aspects of the biopolitical structure of society. . . . these are not really interventions into independent juridical territories but rather actions within a unified world by the ruling structure of production and communication. In effect, intervention has been internalized and universalized. (35)

The nature of the U.S. military-industrial complex must be examined because of its special role in maintaining the security of the global capitalist system. The armaments industry is in a position somewhat distinct from that of other capitalist sectors. Its accumulation activities are dependent on (national) state procurement and marketing and on the existence of real or potential military conflict. Its accumulation imperative has manifold political and ideological implications. This imperative generates an impulse toward nationalist ideologies, state practices, ever greater military budgets (the Pentagon budget

approached $450 billion in 2002). "The U.S. military occupies a singular position," as Jerry Harris argues. "As capitalism's only global coercive force it operates under sole U.S. leadership subject to a variety of powerful national political influences" (Harris 2002, 3). But this does not mean, as he suggests, that capitalists in the armaments industry form a "separate and independent [capitalist] class fraction" (1). Importantly, the arms industry has itself been in the process of transnationalization (Hayward 2000). The giant armaments corporations are themselves TNCs and are thoroughly integrated into the global corporate structure (Harris 2002; Hayward 2000), and the same competitive pressures that drove other sectors of capital into globalization are also driving this sector.

Moreover, although U.S. state managers face institutional constraints and structural imperatives to bolster global accumulation processes, they also face direct instrumental pressures from groups seeking their particular interests. It was notorious, for instance, that oil and military-industrial concerns brazenly utilized the administration of George W. Bush to pursue narrow corporate interests (*Economist* 2003) in a way that may appeared to have contravened the more long-term interests of the transnational project. But *narrow* corporate interests are not the same as *U.S.* corporate interests. The beneficiaries of U.S. military action around the world are not U.S. but transnational capitalist groups. The *Economist* (2003, 52) found that out of 405 top corporate directors in the United States who had formerly held important government posts, most were concentrated in a handful of industries, top among them finance and insurance (64 directorships), energy and utilities (53), telecoms and software (39), healthcare and pharmaceuticals (26), and defense (22). What is striking about this list is that many of these are the same sectors that tend to be most transnationalized, as we saw in chapter 2.

Military expansion is in the interests of the TNCs. U.S. military intervention opens up for TNCs new markets, outlets for investment, access to raw materials, and pools of exploitable labor. "The hidden hand of the market will never work without a hidden fist," Thomas Friedman (1999) quite candidly noted. "McDonalds [*sic*] cannot flourish without McDonnell-Douglas, designer of the F-15. The hidden fist that keeps the world safe for Silicon Valley's technologies is called the United States Army, Air Force, Navy, and Marine Corps." The 1991 and 2003 U.S. military interventions in the Middle East and the 2002 intervention in Central Asia, among others, resulted in a transnational outcome, despite surface appearances, insofar as these regions were further drawn into the global capitalist system. Washington announced in 2003, for instance, a "four step"

plan for the entire Middle East, using its occupation of Iraq as a leverage (see Wright 2003). The plan was a blueprint for the transnational agenda in the region. The first step was a resolution of the Palestinian-Israeli conflict (that the U.S. plan was insufficient is beside the point). The second was a "Middle East Partnership" to "build a civil society" in the region. Such "civil society" programs typically attempt to groom new, transnationally oriented elites (Robinson 1996b, 2003b), and in this case there would be an attempt to incorporate the Arab masses into a civil society under the hegemony of these elites. The third step was to further integrate the region into the global economy through liberalization and structural adjustment. And the fourth was to prevent the rise of any regional military challenge to the emerging transnational domination. This was not a U.S. imperialist plan to gain the upper hand over French, German, and Russian competition, as so many were bent on interpreting events. It was an impertinent U.S. effort to force on the region a more complete integration into global capitalism, an effort sure to generate massive conflict and to fail in its objectives. The likely failure of the effort underscores the vast—insurmountable—chasm between intent and ability in the globalist bloc's project, as I discuss in the next chapter.

More generally, U.S. intervention facilitates a shift in power from locally and regionally oriented elites to new groups more favorable to the transnational project. Unlike the Spanish conquest of Latin America, the British of South Africa and India, the Dutch of Indonesia, and other conquests in earlier moments of the world capitalist system, U.S. military conquest does not result in the creation of exclusive zones for the conqueror's exploitation. We see not a reenactment of this old imperialism but the colonization and recolonization of the vanquished for the new global capitalism and its agents. The underlying class relation between the TCC and the U.S. national state needs to be understood in these terms. For evident historical reasons, the U.S. military apparatus is the ministry of war in the cabinet of an increasingly globally integrated ruling class. This is a ministry with many autonomous powers. Militaries typically acquire tremendous autonomous powers in times of escalating wars and conflict, especially in undemocratic systems such as the global capitalist system. *The empire of capital is headquartered in Washington.*

The TNS, State Theory, and Epistemological Concerns in the Study of States

The historical limitations of social theory insofar as it has been informed by the study of "national" societies and the nation-state are brought into focus by the universalizing tendencies and transnational structural transformations bound up with globalization. Although my primary concern in this chapter has not been state theory, it should be clear that globalization poses a challenge for theoretical work on the state. State theory became a hot topic in the 1960s and 1970s with the debate between Ralph Miliband and Nicos Poulantzas over instrumentalist versus structuralist explanations of state practices (Miliband 1969, 1970, 1973; Poulantzas 1968, 1969, 1976). This open-ended debate continued in the 1970s and 1980s with a new round of neo-Marxist theorizing by Fred Block, Goran Therborn, Claus Offe, Alan Wolfe, James O'Connor, and others. And the entire Marxist approach came under challenge by the state-centered thesis of Theda Skocpol and by neorealists, who revived Weberian theorizing on the state and geopolitics and delineated a new conception of an autonomous state as actor (see, e.g., Block 1987; Evans, Rueschemeyer, and Skocpol 1985; Mann 1988; O'Connor 1973; Offe 1975; Offe and Ronge 1975; Skocpol 1979; Therborn 1978; and Wolfe 1977). More recently, development sociology has focused on the role of the state in an effort to explain the East Asian "economic miracles" and differential national developmental outcomes in the world economy (Appelbaum and Henderson 1992; Evans 1995).

Globalization has now cast the state debate in a new light, that of the relation of the state to transnational processes. State theory has developed generalizations on the nature of the state from the study of its particular historical (nation-state) form and generally has not concerned itself with the transnationalization of capital and the state. It is difficult in lieu of the historical dynamics analyzed in this book to maintain the Weberian-inspired theoretical conceptualization of the state as a relatively independent national actor driven by geopolitical competition with other states. But those Marxist and world-system conceptions that posit an immutable nation-state system also require modification. Theoretical and empirical work on the state in the age of globalization should focus on a "deterritorialization" of the relationship of capital to the state. Here the conception becomes one of the "pure" reproduction of social relations, that is, a process not mediated by fixed geopolitical dynamics. Marxists would do well also to reconsider the argument by Marx and Engels that "the

proletariat of each country must, of course, first of all settle matters with its own bourgeoisie" ([1848] 1978, 482). "Its own bourgeoisie" is now transnational. Each "national" bourgeoisie is also the bourgeoisie of the proletariat of numerous countries. This would indicate for political strategy that subordinate classes must transnationalize their struggles, or as some have called for, a "globalization from below" to counter the capitalist globalization from above (Chase-Dunn and Boswell 1999; Falk 2000), discussed in the next chapter.

A more complete study on the TNS than is possible here should explore the relationship between the TNS and transnational civil society, employing Antonio Gramsci's notion of an *extended (or enlarged) state* incorporating both political society (the state proper) and civil society. For Gramsci, "these two levels correspond on the one hand to the function of hegemony which the dominant group exercises throughout society and on the other hand to that of 'direct domination' or command exercised through the State and 'juridical' government" (Gramsci 1971, 12). This chapter addressed the matter of transnational political society, or a TNS "proper," although the matter of transnational civil society is of great significance because the TNS exists as part of a larger totality and because the practices of an emerging global ruling class take place at both levels. Global elites exercise a form of TNS power by directly instrumentalizing the multilayered configuration of the TNS. But this elite is attempting to establish the hegemony of a new global capitalist historic bloc, not just at the level of the TNS proper but at the broader level of an extended state. In this regard, further research should explore how the multilayered configuration is itself internally differentiated and presents numerous sites of contestation, just as national states are internally differentiated and contested at numerous entry points.

In sum, I have suggested that the nation-state is a historically specific form of world social organization in the process of becoming transcended by globalization. Historical structures may be transcended by their destruction and replacement. This is how, for instance, the historical structures of monarchy and feudalism in France were superseded. Such structures may also be superseded by transformation through incorporation into emergent new structures. This was the route through which monarchal and feudal structures were transcended in England. Hence there are monarchal and feudal residues in England that we do not find in France. I am suggesting here that a TNS is emerging through the latter route: the nation-state system is not being destroyed but is being transformed and incorporated through the process of globalization into the

larger, emergent structure of a TNS. Given this particular synthesis, it is not surprising that old national forms and identities exist under the new relations of transnational power.

There is an important epistemological point to be made here. National states may retain their form. They are not disappearing but will be around for a long time to come. Yet these institutions are no longer the point of "condensation" of sets of social relations within a country. They are no longer nodal points for organizing those relations with regard to another set of relations between the country and an international system of nation-states, or interstate system, at least not in the sense meant by international-relations theories. To borrow an insight from the natural sciences, a structure may change its function without necessarily altering its form. The principle of preadaptation in the theory of evolution holds that the earlier stages of a useful structure that emerges through natural selection may have an adaptive significance distinct from that of a later stage in the structure. For instance, certain bottom-dwelling fish developed a strong central axis in their fins, which allowed them to scuttle along the bottom of freshwater floors, and this adaptation later proved useful as incipient terrestrial limbs as conditions changed (the structure changed its function without radically altering its form). The term *preadaptation* is an unfortunate misnomer because it teleologically implies that structures adapt to impending events, whereas the concept actually expiates teleology from the theory of evolution.

Similarly, in our analysis of the social world we can observe that social actors may make use of existing structures in ways that change their functions, just as, depending on historical circumstances, these actors may destroy existing structures and erect entirely new ones. This is neither a functionalist nor a teleological proposition since a central place is accorded to agency and historical contingency, both of which may be studied in our efforts to understand and reconstruct actual history. To the contrary, my approach is *world historical,* one that replaces functionalist accounts that compare static categories and teleological presumptions of the inevitability of current or emergent structures with a focus on the concrete interaction of agency and structure in ways that are open-ended and not predetermined.

Let us recall that we study static structures for methodological purposes only, because these are abstractions from reality that can only be understood in relation to the dynamics of structural change. The static structure is of less concern than *movement in structure.* Social reality is best grasped in a synthesis of its synchronic and diachronic dimensions. Seen in this light, the nation-state

and the interstate system are not a constitutive component of world capitalism as an integral social system but a (the) historical form in which capitalism came into being. Temporally, the nation-state is penetrated from the past and the future as a disintegrating structure. The state, shed of its cotermination with the nation-state, may be seen as a structure in motion whose form is changing under globalization. The emergent TNS as an unfinished, open-ended process, as all historical processes are, is subject to being pushed in new and unforeseen directions and even to reversals.

CHAPTER FOUR

The Contradictions of Global Capitalism and the Future of Global Society

> The correct formulation of the problem already indicates its solution.
>
> —KARL MARX

The Crisis of Global Capitalism and the End of the End of History

In 1989 Francis Fukuyama wrote an essay in the influential policy magazine *National Interest* that would become famous. Elated by the collapse of the Soviet bloc, Fukuyama declared that the apparent triumph of "liberal capitalism" represented the "End of History." Fukuyama meant not that history with a small *h* had come to end but that human society had reached its pinnacle with liberal capitalism, the end of the line in the historical progression (see Fukuyama 1992). In reaching this conclusion Fukuyama was attempting to interpret the late twentieth century in accordance with the grand historical narrative of the nineteenth-century German idealist philosopher G.W.F. Hegel, who saw human history in teleological terms as moving inexorably to a superior end stage in its development. The "End of History thesis" quickly came to symbolize the exuberance of global elites in the early 1990s over what they saw as the definitive triumph of capitalism over any alternative system.

The belief that the global capitalist system had entered a new golden age of permanent stability, growth, and prosperity for an increasing number of people around the world did indeed seem unshakable for a time. Such political developments as the failure of Third World revolutionary experiments, the fall of the Berlin Wall in 1989, and the collapse of the Soviet Union three years later, along with defeatist resignation among leftist and popular forces around the world, gave grease to the forging of the neoliberal "Washington consensus" in the 1980s

and 1990s. The WTO came into existence in 1995, in an extraordinary period of (relatively) high growth rates, mild recessions, and abundant new opportunities for profitmaking in the informatics-based "New Economy." All this created a drunken triumphalism among the transnational elite.

But this scenario began to change in the final years of the twentieth century. The end of the End of History started with the East Asian financial meltdown of 1997–98. The economic turmoil in East Asia quickly spread to Turkey, Russia, Brazil, and elsewhere, sending shock waves throughout the financial world and shattering the confidence of the transnational bourgeoisie. The world economy recovered momentarily in 1999, only to sink into deep recession in 2001. Meanwhile, the massive street protest at the ministerial meeting of the WTO in Seattle in November 1999 against corporate globalization had tremendous symbolic importance because it signaled the rise of a new cycle of popular resistance, this time transnational in scope and moving beyond single issues, "identity politics," and purely local concerns. The Seattle protest was followed by dozens of other high-profile "antiglobalization" mobilizations at the meeting sites of global elite forums in the following years, including in Washington, Melbourne, Prague, and Nice (2000), Gothenburg, Quebec, Genoa, and Brussels (2001), and New York, Barcelona, Washington, D.C., and Florence (2002). These media-oriented protests represented but the visible tip of a dramatic upsurge in transnationally networked grass-roots resistance movements in countries around the world and the making of a common critical (counterhegemonic) consciousness and political practice.

By the turn of the century the transnational elite had moved from the offensive to the defensive as the system began to enter a crisis of legitimacy. The corporate megascandals that followed in the wake of the Enron debacle of 2001–2 further undermined the legitimacy of the global corporate order. Speaking before the Trilateral Commission shortly after the Seattle protest, Fred Bergsten, head of the Institute of International Economics and a leading intellectual defender of corporate globalization, warned that "the anti-globalization forces are now in the ascendancy" (quoted in Bello 2001, 3). In fact, however, Bergsten's cryptic comment was not entirely accurate: it was not *antiglobalization* forces but popular *globalization-from-below* forces that were on the ascendance.

In this concluding chapter I explore in brief some of the overarching social and political problems generated by the global capitalist system, including the tendency inherent in the system toward instability, inequality, crisis, and conflict. In more academic parlance, this chapter seeks, by way of conclusion, to

identify the *contradictions* of global capitalism and the prospects of an alternative to it.

Capitalism's Intractable Predicament of Overaccumulation

What I mean by *contradictions* in reference to a social order (or to any phenomenon) is the existence of two dimensions inherent in the particular order that are incompatible with each other and make instability and change an intrinsic part of the order. Analysis of the contradictions of capitalism draws on what is known in political economy as *crisis theory* and involves a focus on the tendency for the capitalist system to experience recurrent crises (Bleany 1976; Luxemburg 1951; Mandel 1968, 1975; O'Connor 1973; Sweezy 1942; Wright 1975). In my view, the crisis that beset global capitalism at the turn of the century involved four interrelated aspects: (1) overproduction or underconsumption, or what alternatively is known as overaccumulation; (2) global social polarization; (3) the crisis of state legitimacy and political authority; (4) the crisis of sustainability. The last of these, what we could call the contradiction between capitalism and nature, raises profound theoretical, historical, and practical issues for humanity that I cannot examine here (but see, e.g., Foster 1994; O'Connor 1994; and Sklair 2002). Let us focus here on the first three aspects in what will necessarily be a simplified discussion.

Capitalism as a system has spawned a technological dynamism, an increase in society's forces of production, and a social surplus greater than that of any other system humanity has known. But as capitalism produces vast amounts of wealth, it also generates, as a tendency inherent to the very way the system functions, social polarization and crisis. This polarization and crisis are not the result of "bad policies" but something built into the nature of the system. Recall the exposition in chapter 1 on the nature of capitalist production. By definition, under capitalist-production-relations workers produce more goods and services than they are actually able to purchase with their wages. Capitalists would not invest their money if they were not assured a profit, or a portion of the wealth produced by the laborers whom they hire. It is only by selling in the market the goods and services produced by workers that capitalists actually acquire their profit. The capitalist uses the proceeds from the sale of these goods and services to pay wages to workers and retains what is left over as profit. If the price fetched for these goods and services were exactly equal to the wages paid to the workers who produced them (along with overhead costs), there would

be nothing left over for profit and the investor would have no incentive to invest. Some variants of crisis theory focus on the lack of opportunity to make a profit as the root cause of economic crises under capitalism. Crisis sets in, according to these accounts, when investors hold onto their capital rather than investing it because they perceive that conditions for making a profit are not present. When this happens—when investment does not take place—enterprises close, workers are laid off, growth ceases, and so forth, precipitating an economic crisis.

But our analysis of twenty-first-century global capitalism focuses on a related dimension, that of overproduction or underconsumption. An investor only makes a profit by selling the goods and services produced in the market. If something is produced but not actually purchased by people, there is no profit. Yet workers cannot purchase the entire amount of goods and services they produce, since their wages must be less than the value of those goods and services. Of course members of the capitalist class and middle strata, governments, and other customers may purchase a portion of these goods and services. Nonetheless, in the abstract, the capitalist class faces the perennial problem of having to find new outlets—markets—to unload the "excess" goods and services their workers produce. So long as new markets are constantly opened up, the process of capital accumulation continues. But at some point capitalists as a group, or some among them, are left with more goods and services produced by their workers than they are able to market. At that point what is known in crisis theory as the "realization problem" sets in, meaning that wealth generated through investment cannot be marketed and hence profits cannot be made. This is the point at which economic recession typically sets in. This is also known as the crisis of overproduction or underconsumption, since society is unable to consume the wealth it has created given the nature of capitalist relations. Here I refer to this situation in closely related terms, as the crisis of *overaccumulation*. And I am suggesting that global capitalism faces an intractable crisis of overaccumulation.

The post–World War II expansion—the so-called "golden age" of nation-state capitalism—entered into a crisis in the 1970s, precipitating a period of restructuring and transformation. Capital responded, as we saw in earlier chapters, by "going global." This allowed it to break free of the constraints that had been imposed on profit maximization by working and popular classes and by national governments in the preceding epoch of Keynesian capitalism. Free-trade policies, integration processes, and neoliberal reform opened the world

up to transnational capital in new ways. The turn to globalization and the dismantling of the Keynesian social structure of accumulation resulted in a shift in income from working and poor people to capital and to new high-consumption middle, professional, and bureaucratic strata. These new high-consumption sectors provided a global market segment, fueling growth in new areas. An excess of accumulated capital coupled with vast new opportunities for investment and profit making around the world as a result of the opening up of new markets and new regions to capitalist investment led in the 1980s and 1990s to a major expansion of world productive capacity. All this temporarily reversed the crisis of stagnation and declining profit-making opportunities of the 1970s. But the underlying laws of capital remain in place and assert themselves even as novel patterns of accumulation unfold and generate a kaleidoscope of social forms and political processes.

The polarization of world income, downward mobility, and declining purchasing power among broad swaths of humanity (see below) make it impossible for the world's majority to consume all the goods being churned out by the global economy. This is the classical crisis of underconsumption (or overproduction), now transposed to the global economy as a whole and its particular conditions. Capitalists around the world institutionalized their newfound structural and relative power over global labor brought about by the changed correlation of forces under globalization to forge the new capital-labor relationship, to reduce relative wages, and to generate novel profit-making opportunities. To the extent that capitalists achieved these things, they saw their profits rise. Yet this process only made more acute the underlying "realization problem." Seen in a broader historical perspective, two processes germane to capitalist development have intensified through globalization. One is the secular process by which the spread of capitalism uproots precapitalist classes such as peasantries and converts them into members of the working class. The accelerated incursion of capitalist production into the countryside around the world in the second half of the twentieth century uprooted hundreds of millions of peasants and threw them into the capitalist labor market, often as unemployed or underemployed workers. The other germane process is the cyclical process by which capitalists, in an effort to reduce labor costs and thereby increase profits, continuously replace human labor by labor-saving machines and technology. This process accelerated dramatically in the closing decades of the twentieth century as a result of new globalizing technologies made available for rationalization and automation of the labor process. Hundreds of mil-

lions of workers became replaced by robots, computers, automated bank tellers and phone operators, and so forth.

The result of all this was an astonishing expansion of the ranks of the unemployed and the underemployed worldwide. The International Labor Organization reported that by the end of 1998, some 1 billion workers—or one third of the world's labor force—were either unemployed or underemployed (ILO 1999). A third of the economically active population out of work represented an employment crisis that rivaled the Great Depression of the 1930s and underscored the inability of a large portion of humanity to engage in consumption in the global economy. On the one hand, this "superfluous" or "redundant" pool of labor could not consume, and on the other, it represented a potentially destabilizing threat to the system. In any event, this situation only aggravated the problem of overproduction or underconsumption.

This overaccumulation led global investors to engage in an unprecedented wave of speculative investments in what came to be known as the "casino economy" or "casino capitalism" (Strange 1986). (There were also more long-term structural processes at play that explained financial speculation [see, e.g., Arrighi 1994].) Trillions of dollars, for instance, were invested in stock markets and real estate in the downtown districts of such global cities as New York, London, and Tokyo, as well as in newly emerging areas of high growth, such as the metropoles of Southeast Asia, driving up stocks and real estate values in a fictitious process of value creation (i.e., the process did not necessarily involve the creation of new tangible wealth but simply the inflation of the value [price] of existing assets). This "financial bubble" resulted in the stagnation of the Japanese economy, scattered recessions throughout the 1980s and 1990s, the periodic bursting of stock-market and real-estate bubbles, several Wall Street and dot-com crashes, and finally the Asian financial meltdown of 1997–98, which in the view of many precipitated the worldwide economic downturn of the early twenty-first century and signaled the beginning of a deeper structural crisis in the global economy (see, e.g., Brenner 2002). In sum, the breakdown of nation-state-based redistributional projects restored growth and profitability but also aggravated the tendencies inherent in capitalism toward overaccumulation by further polarizing income and heightening inequalities worldwide. It was overcapacity that lay beneath the Asian crisis of 1997–98 and subsequent economic shocks and recessions (see, e.g., Emmons 1999, 2).

By the late 1990s the tremendous overcapacity around the world had become manifest in stark data. Industrial and business magazines were full of gloomy

articles on overcapacity in virtually every sector, from shipping and air cargo lines to autos, petrochemicals, the space industry, pharmaceuticals, semiconductors, aluminum, steel, textiles, consumer electronics, tires, computers, and telecommunications equipment (see, e.g., Bello 2002a; Emmons 1999; and McClenahen 2002). The U.S. computer industry's capacity was rising at 40 percent annually, far above projected increases in demand. The space industry faced "a scale of overcapacity it has never previously experienced [and] has been in the throes of a severe and lasting crisis," according to the *Financial Times* (quoted in Done 2002, 2). The world auto industry was selling just 74 percent of the 70.1 million cars it built each year. So much investment took place in global communications infrastructure that traffic carried over fiber-optic networks was reported to be only 2.5 percent of capacity (Bello 2002a, 2). Retailers suffered as well, with giants like K-Mart facing a tremendous surfeit of floor capacity. There was, as economist Gary Shilling put it, an "oversupply of nearly everything" (quoted in Bello 2002a, 2).

In past epochs of capitalism the problems of overaccumulation and social polarization were offset, in part, through two processes. One was classical imperialism, or the forcible opening up of new territories and markets by the centers of power in the world capitalist system through military force and wars of conquest. The imperialist bounty allowed for rising standards of living and offset the tendency toward polarization in the metropolitan heartlands of the world colonial system even as it exacerbated the crisis for the victims of colonialism. The other process involved diverse redistributive mechanisms developed in the framework of nation-state capitalism, culminating in the post–World War II system of Keynesian demand creation. There are no more "new frontiers" to colonize in the epoch of globalization, and the old nation-state redistributive systems are no longer viable. Could a new global Keynesianism offset the overproduction-underconsumption contradiction? What new constellation of social forces worldwide could emerge to bring about a global redistributive project? The answers to these questions are not clear, but overaccumulation must be seen as a function of the social polarization brought about by capitalist globalization.

Global Polarization and the Crisis of Social Reproduction

One of the ideological constructs of the global capitalist system is to treat poverty and inequality as if it were a problem of scarce resources or insufficient growth. It is neither. As I frequently point out to my students, the world grows

Table 4.1. Shares of Total World Income, 1965–1990

	Percentage of Total World Income			
Population	1965	1970	1980	1990
Poorest 20%	2.3	2.2	1.7	1.4
Second poorest 20%	2.9	2.8	2.2	1.8
Third richest 20%	4.2	3.9	3.5	2.1
Second richest 20%	21.2	21.3	18.3	11.3
Richest 20%	69.5	70.0	75.4	83.4

Source: Korzeniewicz and Moran 1997.

enough in basic grains alone for every man, woman, and child to consume 3,600 calories per day (Lappe and Collins 1986, 9). A study of famine periods in Third World regions in the second half of the twentieth century shows that "hungry countries" produced food in abundance and exported foodstuffs to the world market even during the most critical periods of famine (Lappe and Collins 1986, 9–14). The problem of hunger, and deprivation more generally, is not a lack of resources but *how* resources are allocated and distributed and *who*—what social groups and classes—exercises control over resources and how they are put to use. Nor is the problem insufficient growth. The 1980s and 1990s were largely a time of sustained growth in the world economy yet also a time of declining living standards for most people in the world.

Globalization has fueled a rapid process of social polarization worldwide and a crisis of social reproduction. In most countries the average number of people who have been integrated into the global marketplace and are becoming "global consumers" has increased in recent decades. However, it is also true that the absolute number of the destitute and near destitute has been increasing, and the gap between the rich and the poor in global society has been widening since the 1970s (table 4.1 and 4.2 draw on distinct sources to indicate the widening gap). There has been much debate on how to measure global inequality, but the growth of inequality itself is not seriously disputed, nor is its linkage to globalization (see, e.g., Cornia and Court 2001; Galbraith 2002; Nederveen-Pieterse 2002; and Reddy and Pogge 2002). Broad swaths of humanity have experienced absolute downward mobility. Even the IMF was forced to admit in a 2000 report that in "recent decades, nearly one-fifth of the world population has regressed. This is arguably one of the greatest economic failures of the 20th century" (quoted in Palast 2003, 152). While global per capita in-

Table 4.2. Shares of Total World Income, 1988 and 1993

Population	Percentage of Total World Income		
	1988	1993	Difference (1988 minus 1993)
Top 1%	9.3	9.5	0.2
Top 5%	31.2	33.7	2.5
Top 10%	46.9	50.8	3.9
Bottom 10%	0.9	0.8	–0.1
Bottom 20%	2.3	2.0	–0.3
Bottom 50%	9.6	8.5	–1.1
Bottom 75%	25.9	22.3	–3.6
Bottom 85%	41.0	37.1	–3.9

Source: Milanovic 2002.

come tripled over the period 1960–94, more than a hundred countries had per capita incomes in the 1990s that were lower than in the 1980s, in some cases lower than in the 1970s and 1960s (UNDP, quoted in Stalker 2000, 139).

The gap between the world's richest and the world's poorest has grown exponentially. The data on global inequalities provided by the UNDP in its annual *Human Development Report* have now become well known but do not cease to shock. The assets of the two hundred wealthiest people in the world in 1998 were greater than the total income of 41 percent of the world's population. The three richest people in the world in that year—Bill Gates, Warren Buffett, and Paul Allen—had total assets of $156 billion, more than the combined GDP of the 43 least developed countries in the world, home to 600 million people. Globalization, stated the UNDP (1999), had brought about increased prosperity but concentrated wealth among the "ultra-rich." But beyond the super-rich were layers of affluent people eating at the trough of global capitalism and leaving ever further behind the vast majority of humanity. In 1999 the richest 20 percent of humanity received 85 percent of the world's wealth, while the remaining 80 percent of humanity had access to 15 percent of the world's riches and the poorest 20 percent received only 1.0 percent (UNDP 2001). The result of globalization "is a grotesque and dangerous polarization between the people and countries that have benefited from the system," asserted the 2000 report, "and those who are mere passive receivers of its effect" (UNDP 1999). The gap between the global rich and the global poor is becoming an ever more gaping chasm, growing at a rate unprecedented in modern human history. This is the new *global social apartheid.*

Table 4.3. Growth Rate of World GDP and GDP Per Capita, 1970–1990 (1995 dollars)

	World GDP	Per Capita GDP
1970–1980	5.51	3.76
1980–1990	2.27	0.69
1990–2000	1.09	–0.19

Source: Freeman 2002, appendix of tables.

The British political economist Alan Freeman has compiled and analyzed an impressive set of data on trends in world income and poverty from a number of databases, among them several U.N. and WB agencies, the IMF's World Economic Outlook database, the U.S. Bureau of the Census, and the University of Groningen's Growth and Development Centre. Freeman documents the steady growth in global inequality and income polarization, as well as the decline in absolute terms of income and the rise in poverty for billions of people, from 1980 to 2002. In 1980, 118 million people lived in nine countries where income per capita was declining; in 1998, there were 60 such countries and 1.3 billion such people (Freeman 2002, 1). While the rate of growth in world GDP has declined in each decade since 1970, the growth rate for per capita GDP actually became negative in the 1990s (table 4.3).

In the earlier epoch *core* and *periphery* referred to geographically defined territories and the populations that resided therein. The affluence of core countries and the attenuating effects it had on social polarization in the core were made possible by the core's historically exploitative relation to a spatially defined periphery. As *core* and *periphery* come to denote social location rather than geography, affluence in global society is coming to rest on a peripheral social sector that is not necessarily spatially concentrated (Robinson 2002c, 2003b). Those who have the equivalent of U.S. $5,000 personal income are considered part of the world of "consumers." In the 1990s, for the first time in history, the absolute number of these consumers in the Third World surpassed the absolute number in the First World (Sklair 2002, 44). But the *vast* majority of the world's people are not consumers. TNCs and banks, in their global production and marketing strategies, routinely search out in each locale around the world that 15 percent of the population who are consumers. These consumers are the world's "bankable" sector, in the words of John Reed, chair of Citicorp, who estimated this global market to constitute some 800 million

people. "Many of the problems we have on the globe," according to Reed, "be it the global environment or health, are problems of the 4.2 billion, not the 800 million" (quoted in Harris 1998–99, 29–30).

In the past at least two mechanisms helped to offset the crises of social polarization and overaccumulation, as I noted previously. First, classical imperialism allowed core countries to displace to the colonial world some of the sharpest social antagonisms that capitalism generated, and then brute force was applied to the colonized regions. Second, Keynesian absorption mechanisms, such as credit creation and redistribution through taxation and social spending, offset overaccumulation crises. Many, if not all, of these recurrent crises were mediated by the nation-state. Under globalization the nation-state is less able to address these manifold crises. Yet the emergent TNS is not equipped to resolve them, especially those of overaccumulation and social polarization. Even if the chaotic global financial system could be brought under regulation, the mechanisms simply did not exist for absorption strategies, nor did the system provide a material base for a project of legitimation.

The State of Social Control and the Social-Control State

The crisis of social reproduction helps explain the collapse of the social fabric in country after country and outbreaks of spontaneous protest among marginalized and disenfranchised sectors. Governments around the world have faced mounting crises of legitimacy and political authority in recent years. The economic quandaries of the global system have generated endemic social instability, political tension, and military conflict. "The market is literally tearing the world apart; it is beginning to render large tracts of it ungovernable," notes Freeman. "As its economic mechanisms become increasingly incapable of resolving the social contradictions they create, the nations and societies through which it is mediated are being plunged into increasingly open political conflict. The endemic crises, armed conflicts, and governmental instability of the Middle East, of Central Asia, of the Balkans, of Central and Northern Africa, of Central and Southern America, and of South-East Asia, each has its own specificity. But the basic driving force behind all of them is the same: the crushing weight of two decades of accelerating economic stagnation, accompanied by universally growing inequality" (Freeman 2002, 4).

During the previous, nation-state phase of world capitalism such tensions took the form of rivalries and conflicts between leading capitalist nations. World Wars I and II are generally seen as conflicts driven by rivalries among

national blocs of capital. Capitalist groups fought fiercely to retain markets and sustain profitability levels in the face of rival capitalist groups, shrinking markets, and declining opportunities to sustain the profit-making process. And since the major capitalist groups, as I have argued throughout this volume, were organized through the nation-state system and supported by particular national states, the intensification of capitalist competition took the form of rivalries among leading nation-states. But I do not believe that crises of capitalism will take the same form in the age of globalization that they did in the past, and this is where I disagree with Freeman and with most observers of the global crisis. Increasingly, the political and military tensions generated by global capitalist crises will be expressed as fierce capitalist competition among oligopolist alliances of *trans*national capitals. Distinct transnational capitalist conglomerates may turn to different national states to secure advantages against other such conglomerates. This may help to explain why national states have behaved, and will continue to behave, in unpredictable, apparently contradictory and inconsistent ways. Moreover, ongoing conflict will likely take place between the institutional power centers of global capitalism and specific nation-states and regions whose economic and political elites remain outside of, or severely disadvantaged by, the global system. (This conflict may often take the form of direct conflict between these groups and the United States, for the reasons discussed in chapter 3.) In these cases, new elites with a more direct stake in the system and its defense will likely be cultivated in the aftermath of intervention.

But the most salient form of conflict in the global age will not be among nation-states. The crisis of the global system will take the form of escalating transnational social conflicts between popular sectors engaged in diverse forms of resistance, whether spontaneous or organized, and diverse representatives and institutions of the global capitalist elite and the transnational state. The crisis of global capitalism, therefore, ultimately becomes a problem of *social control.* How is the excluded population to be contained? How is the lid to be maintained on spontaneous and potentially destabilizing protest against the depredations of global capitalism? How is organized resistance to be deflected? How are popular or oppositional forces to be prevented from capturing local states and attempting to withdraw from the system? There is a shift from the social-welfare state to the social-control (police) state, replete with the dramatic expansion of public and private security forces, the mass incarceration of the excluded population (disproportionately minorities) (see, e.g., Chambliss 2001; and Winslow 1999), new forms of social apartheid maintained through com-

plex social-control technologies, repressive anti-immigration and anti-"terrorism" legislation, and so on. The "politics of exclusion" takes over. Global polarization brings with it increasing residential segregation of the rich, protected by armies of private security guards and electronic surveillance, from the cities of Latin America to those of the United States, Europe, Asia, and elsewhere. These "gated communities," variously referred to as "enclaves," "citadels," and "fortresses," have been spreading to all parts of the world. They are a fixture in the new landscape of global social apartheid, one element in the social control of territory and movement (on gated communities worldwide, see, e.g., Bartu 1999; Blakely and Snyder 1997; Davis 1999; and King 1999). The politics of exclusion also entails, under the deceptive discourse of "local politics" and "community empowerment," a shift in the responsibility for social reproduction from the state and society as a whole to the most marginalized communities themselves.

Global society is increasing characterized by a three-tiered social structure that transcends national boundaries. The first tier is made up of some 30–40 percent of the population in what traditionally have been core countries and less in peripheral countries, those who hold "tenured" employment in the global economy and are able to maintain and even expand their consumption. The second tier, some 30 percent of the population in the core countries and 20–30 percent in the periphery, form a growing army of "casualized" workers who face chronic insecurity in the conditions of their employment and the absence of any collective insurance against risk previously secured by the welfare state. The third tier, comprising some 30 percent of the population in the traditional core capitalist countries and some 50 percent or more in peripheral countries, represents those who have been structurally excluded from productive activity and completely unprotected since the dismantling of welfare and developmentalist states, the "superfluous" population of global capitalism (see, e.g., Hoogvelt 1997; and Hutton 1996).

While we do not want to lose sight of the essential class nature of this global hierarchy, we must not underemphasize its racial dimensions. The historical spread of capitalism through European colonialism and imperialism racialized class relations worldwide. Racism is not incidental (or derivative) but constitutive of world capitalism. Workers from the dominant racial groups tended to be consigned to "free" labor, and those from oppressed racial groups, to diverse forms of coerced labor, including slavery (these racial and ethnic categories were, of course, themselves historically constructed). The Fordist-Keynesian

historic blocs were often based on the construction of racial solidarities among dominant groups and the exclusion of racially oppressed groups. This racialization of class relations held throughout the whole history of world capitalism precisely because it was constitutive of the system. Racist social and economic structures are now being reproduced and transnationalized in new ways under globalization. Two fundamental racist structures are the *superexploitation* of racially oppressed sectors of the working class and the *exclusion* of racial minorities from social participation. The intensified mobilization under global capitalism of new transnational labor pools in diverse locations results in new, often quite rigid forms of labor market segmentation along racial and ethnic, not to mention gender, lines. Under globalization, racial minorities disproportionately swell the ranks of the "redundant" labor force of supernumeraries who are structurally marginalized from productive activity. Some groups, such as African Americans, experience a shift from superexploitation to exclusion as other groups, such as Latino immigrants, swell the lower rungs of segmented labor markets as a new superexploited work force. In either case, whether superexploited or excluded, racially oppressed groups are disproportionately subject to new, ever more repressive forms of social control.

No emergent ruling class can construct a historic bloc without developing diverse mechanisms of legitimation and securing a social base. Such a bloc involves a combination of the consensual integration through material reward for some and the coercive exclusion of others whom the system is unwilling or unable to coopt. Within this three-tiered social structure the transnational elite has sought to secure a firm social base in the first tier, to draw in the second tier, and to contain the third tier. In this effort, the problem of social control is manifested at all areas of society—film (e.g., new movie genres that demonize poor people, criminalize the outcast, and glorify militarization and the social control state), architecture, the mass media, and so on. The new face of global capitalism is an emerging "soft" police state, what a number of years ago Bertram Gross anticipated as "friendly fascism" (Gross 1980) and along the lines that the Frankfurt school critiqued a generation earlier. The events of September 11, 2001, allowed the transnational elite to make a bid for newfound legitimacy, providing a justification for constructing the social-control state, for military mobilization and deployment around the world, and for the extension of coercive systems of social control to all walks of life.

The New War Order

Human beings, let us recall, are collective agents. We are never passive in the face of the conditions of existence in which we find ourselves. The global capitalist order is not viable for a majority of humanity, and it can only function to the extent that it is able to maintain and defend worldwide structures of inequality and domination. When prevailing social structures are threatened, whether in perception or in actuality, ruling groups become desperate and unpredictable. The principal political agents of global capitalism—especially U.S. state authorities—appeared in the early twenty-first century to respond to the tensions and contradictions of global capitalism with a political radicalization, with a drive toward the institutionalization of the new forms of coercive authority, with a frightening worldwide war mobilization.

The structure of the global capitalist system is maintained through the support of millions of citizens guided by charismatic personalities who routinely take control of the media and politics to manipulate emotions and logic. The structure of power is without doubt maintained through an ever more complex and pervasive cultural hegemony. But ultimately a prevailing social order is maintained through brute force. Military interventions may seek to open up new regions to the TNCs, to protect and extend transnational corporate activity, and to bring about the stability necessary for global economic activity. The drive to war is also a thirst to open up new opportunities for unloading surplus capital. But wars can also be a functional mechanism for ruling classes to deflect crises of legitimacy, especially if military spending also fuels economic growth and employment (military Keynesianism); to seek relegitimation through military mobilization; and to impose social control "at home." Wars are also profitable, even necessary ventures for key sectors of capital. They allow the armaments industry to continue to generate profit. Indeed, in an article titled "What a Difference War Makes," the *New York Times* reported that stocks in the military industry that had been plummeting had shot up by about 25 percent in the months following September 11, 2001. But if military spending is a key mechanism for unloading surplus—a response to the pressures of overaccumulation—such spending in and of itself cannot be sustained over the long run in the absence of wars to use up existing arms and equipment, replenish supply, and generate new procurement orders. Apart from its immediate political objectives, deployment of the massive military apparatus becomes a way to shovel coal into the furnace of the global capitalist system. In its "Alice in

Wonderland" discourse, the transnational elite referred to its interventionist campaigns as "promotion of democracy," "war on drugs," and "war on terrorism." The so-called war on terrorism became a globalized low-intensity war. Ruling groups in the global order set about in the early twenty-first century to organize and institutionalize a global political state.

But those who dwell within the gated community must venture into the "dark" side of the world they have created and must invite in the outcast to cook, clean, and so on. A global gated community is no security for global elites and privileged strata. The September 2001 attack on the World Trade Center in New York suggested the rise of new modalities of conflict between the weak and the powerful in global society. In the past, the most exploited, oppressed, and dispossessed sectors of humanity, the colonized, were forced by material and spatial reality to limit their resistance to the direct sites of colonial control; they were limited to facing colonizers and imperialists on their own lands. Globalization places resistance in a whole new ballpark, metaphorically speaking. For the first time, acts of rebellion can be waged around the world irregardless of spatial boundaries. The spatial separation of the oppressors from the oppressed as epitomized in the old colonial system is vanishing. Global capitalism is too porous for spatial containment. Just as progressive resistance to the depredations of global capitalism is less space-bound and more transnational than in the past, so too is reactionary resistance. The Mau Mau of Kenya and the National Liberation Front of Algeria could not wage rebellion directly in Great Britain and France against the economic and military symbols of British and French colonialism. I use these two random examples—legitimate national liberation movements of the 1950s and 1960s—because both made recourse to the weapons of terror in their resistance strategies.

The course of globalization could be different from what it is currently. This historical process has the potential to open new doors for humanity, create new horizons, and overcome age-old prejudices, ignorance, and dividing lines, which have been a source of conflict and injustice for millennia. A truly world civilization could be created based on a new universal egalitarianism, humanist values not yet realized of "liberty, equality, fraternity." Moreover, it is not possible or desirable to go backward—to reverse the process of globalization. But we can alter the current course, convert a globalization from above into a globalization from below, into a popular, *democratic* globalization. Yet it seemed in the early twenty-first century that the *descent into barbarism* had already begun.

The Battle for Hegemony in Global Society

Antonio Gramsci developed the concept of hegemony to refer to the attainment by ruling groups of stable forms of rule based on "consensual" domination of subordinate groups. Gramsci's notion of hegemony posits distinct forms, or relations of domination: *coercive domination* and *consensual domination*. Hegemony may be seen as a relationship between classes or groups in which one class or group exercises leadership over other classes and groups by gaining their active consent. Hegemony is thus rule by consent, or the cultural and intellectual leadership achieved by a particular class, class fraction, stratum, or social group as part of a larger project of class rule or domination. It involves the internalization on the part of the subordinate classes of the moral and cultural values, the codes of practical conduct, and the world-view of the dominant classes or groups, in sum the internalization of the *social logic* of the system of domination itself. This does not mean that direct physical force is absent in a hegemonic order. All social order is maintained through a combination of consensual and coercive dimensions; hegemony is consensus protected, in Gramsci's words, by the "armor of coercion" (Gramsci 1971). Unlike in an outright dictatorship or military regime, force and coercion in a hegemonic order are ever present but may take a back seat to ideological control and other forms of cooptation.

Gramsci and others who came after him have argued that hegemony is the preferable form of domination in capitalist society. I have extended this argument by suggesting that it is increasingly the only viable form over the long run of securing social order and stability in global society as the process of capitalist globalization progresses (Robinson 1996b). But hegemony is never stable; it is always contested. Ruling groups must constantly struggle to renew their hegemony in the face of challenges to their rule from competing factions within the dominant classes and from subordinate groups. The use of violence in order to suppress dissent and maintain social control indicates not strength but the breakdown of the ruling group's hegemony. If the system were doing well, there would be no need for war. The recourse to coercive authority indicates a crisis in the system.

Gramsci's theory of hegemony is tremendously useful in helping us understand the dynamics and contradictions of global capitalism and possible alternative futures. Throughout this study I have drawn on Gramsci's concept of hegemony. I argued, for instance, that from the 1970s on, transnational capital

became the hegemonic fraction of capital on a world scale, meaning that it became the fraction of capital that came to predominate, to exercise leadership over other fractions of capital (e.g., local and national capitals), and to impose its own rules and logic over society (e.g., neoliberalism). I have also argued that a globalist bloc coalesced in the late twentieth century, became organized around an emergent TNS, and set out to establish its hegemony in global society. In this concluding section I examine in brief the battle for hegemony and the prospects for a counterhegemony to that of the globalist bloc.

Breakdown of the Globalist Bloc's Hegemony?

Global capitalism faced an expanding crisis in the early twenty-first century, one that seemed to be as much a long-term, structural crisis as a shorter-term, cyclical one. The globalist bloc ran up against one setback after another in its effort to secure its leadership and reproduce hegemony. There are twin dimensions to the bloc's ongoing crises of authority. The first dimension, discussed above, is objective: the inability to attenuate polarization tendencies inherent in capitalism and aggravated by new global modes of accumulation. Hegemony requires a material base, and it is not clear whether this base is broad enough to sustain a transnational hegemonic project. The second dimension is subjective and has to do with the challenge to global capitalist hegemony posed by diverse oppositional and subaltern forces, not all of them progressive.

Regarding the first of these dimensions, a necessary condition for the attainment of hegemony by a class or class fraction is the supersession of narrow economic interests by a more universal social vision or ideology and the concrete coordination of the interests of other groups with those of the leading class or fraction in the process of securing their participation in this social vision. To date, transnational capitalists have been unable to put aside their immediate corporatist interests (maximizing profits) for the benefit of the stability of the system as a whole. Here, the narrow interests of transnational finance capital (currency speculators, bankers, portfolio investors, etc.) seemed to hold out the prospects of frustrating a hegemonic project. Moreover, a unified social vision has been difficult to secure because distinct elites seek different and even conflicting solutions to the problems of global capitalism based on their distinct historical experiences and the particularities of their regional systems.

There has been considerable strategic debate, as well as tactical differences, within the ranks of the transnational elite. The series of economic crises that

shook the global economy at the turn of the century caused rising alarm and exposed important contradictions and growing splits in the global capitalist bloc. The more deeply rooted and complex global capitalism becomes, the more each shock to the system generates tensions within the ranks of transnational elites, who have become increasingly fragmented in their globalist discourse, in their political vision, and in their ideological coherence. The debates that dominate the summits of power in global society have less to do with narrow economic-corporate interests than with strategic political issues of *class rule*. Foremost is the question how best to structure the new global economy, achieve world order, and assure the long-term stability and reproduction of the system. These debates did not transgress the essential premises of world market liberalization or the freedom of transnational capital, nor did they propose any sort of a reform that might involve redistribution or state controls on the prerogatives of capital. But a rising chorus of voices among transnational elites called for a broader global regulatory apparatus that could stabilize the financial system as well as attenuate some of the sharpest social contradictions of global capitalism in the interests of securing the political stability of the system.

The Coming Demise of Neoliberalism: A Global Neo-Keynesianism?

The voices of dissent within the globalist bloc grew in the late 1990s, and by the turn of the century the roster of desertions from the ranks included "the best and the brightest" technocrats, intellectuals, and politically active members of the TCC. Among those who turned to criticizing the reigning neoliberal orthodoxy, often in surprisingly harsh terms, and calling for reform was Jeffrey Sachs, of Columbia University. Sachs, a frequent consultant for the IMF and for neoliberal governments around the world, was one of the key architects of SAPs and the author of the "shock treatment" plans applied to Eastern European and Latin American countries in the 1980s and 1990s. The neoclassical economists Jagdish Bhagwati, a former economic policy adviser to the GATT director general who coined the term "Wall Street–Treasury Complex," and Paul Krugman, of Princeton University, both of whom were leading intellectuals of the Washington consensus, also joined the fray, as did U.N. Secretary General Kofi Annan and several European heads of state. This clamor for reform from the top down reflected a crisis of confidence in the global capitalist system within the ranks of the transnational elite and a willingness among the more politically astute to promote a "post–Washington consensus" project of reform in order to save the system itself. By the turn of the century the Clinton ad-

ministration, the United Nations, and the WEF were all evoking the trope "globalization with a human face" to suggest the search for a new, post–Washington consensus strategy (Rupert 2000, chap. 7).

One of the most flamboyant of the dissenters was George Soros, a global financier, multibillionaire, and leading figure in the WEF. Alarmed that the groundswell of popular protest against globalization and repeated market failures could lead to the breakdown of global capitalism, he published a slew of mass-marketed books vilifying what he termed "market fundamentalism," among them *The Alchemy of Finance* (1994) and *The Crisis of Global Capitalism* (1998), and called for global governance and financial regulation. His 2002 book, *On Globalization,* presented a blueprint for reforming the IMF, the WB, and the WTO. In it, he supported the freedom of the TNCs, an open global economy, and world market integration. While he did not argue for any redistribution of wealth or for state control over capital accumulation, he did call for global governance institutions (read: the TNS) to play a more active role in monitoring transnational finances, in promoting "global public goods" such as environmental protection measures, labor rights, consumer safety, and public health, and in providing aid and facilitating investment flows to Third World countries.

But perhaps the most important of the dissidents was Joseph Stiglitz, winner of the 2001 Nobel Prize in economics, not because of the harshness of his critique but because he went the furthest in shifting the focus to a new model for global capitalism, as laid out in his book *Globalization and Its Discontents* (2002). Stiglitz served in the 1990s as chairman of President Bill Clinton's Council of Economic Advisers and as senior vice president and chief economist for the WB. Stiglitz was forced out of the WB following an April 1998 speech in which he launched a major criticism of the Washington consensus, calling it "incomplete and misleading" and arguing that "government has an important role in responding to market failures" and in providing "appropriate regulation, industrial policy, social protection and welfare." Stiglitz called for a post–Washington consensus that would expand the role of states to provide universal education and technology transfer to the public sphere, as well as to support healthcare and promote income "equity" and environmental protection. Above all, Stiglitz, like Soros and the other dissidents, called for strengthening the TNS and increasing its authority in supervising and regulating the global economy.

Despite its surface appearance, Stiglitz's philosophy was not particularly radical. It simply acknowledged the obvious: that the global market is not self-

correcting and that uncontrolled deregulation and growth can undermine the very system. Yet it deserves serious analysis for what it tells us about the type of intellectual and ideological thinking among transnational elites that could guide and legitimate a postneoliberal model of global capitalism. The clamor for reform from within the summits of global power points to the rise of an as yet ill-defined global neo-Keynesianism, a project that would attempt to attenuate some of the sharpest contradictions of the system and at the same time win support from popular and oppositional forces and therefore hold out the prospect of regenerating hegemony. The contours of such a project are not clear, but it would most likely involve a neoregulatory regime supervised by the TNS.

If the original neoliberal project of the transnational elite found its intellectual legitimation in neoclassical economics (see chapter 2), the emergent model, as articulated by Stiglitz, drew as well on the "institutionalist school" in economics, or the "new institutional economics." This emerging economic doctrine does not actually question free-market principles or challenge the prerogative of transnational capital. Instead, the new institutional, or "post-Keynesian," economics emphasizes the problems of economic coordination in the free market and their resolution through the management activities of "experts" in the state. Theoretically, this approach argues that the state, which has the authority to create money, influence interest rates, encourage technical development and research through educational and regional policy, and so on, can influence economic activity without interfering directly in the market by creating a more predictable economic environment (see, e.g., Cole 1999).

Here we may note that the rise of an economic doctrine that emphasizes the coordination of individual producers and the provision of an optimal institutional and infrastructural environment for capital without challenging the prerogatives of capital closely mirrors the rise of post-Keynesian/Fordist "flexible" models of accumulation, the so-called New Economy associated with globalization. The doctrine emphasizes complex coordination among decentralized and vertically disintegrated production processes, as well as a new, more sophisticated infrastructural environment, such as communication grids and information highways, "goods" that the "purer" neoliberal laissez-faire state is ill-equipped to provide. The theoretical analysis behind the arguments of Stiglitz, Soros, Sachs, and others is that the "asymmetry" between market players can lead to large-scale distortions in the economy that can only be overcome by an active, managerial state. Developing the TNS into such a managerial state of global reach along the lines that the globalist-bloc dissidents propose could nar-

row the disjuncture between a globalizing economy and a nation-state-based system of political authority and state regulation, that is, the contradictions between the emergent economic properties of global capitalism and its residual political structure.

How the emerging theoretical model could become incarnated in a new political program or a concrete reform project was not clear. But one possibility was the so-called Third Way. Modern history is replete with "third-way" political projects that purport to seek an alternative between perceived "left" and "right" dominant paradigms, such as early- and mid-twentieth-century European social democracy or Third World populist projects. (These reformist brands of nation-state capitalism were supposedly third ways between socialism and capitalism [see Petras 2000].) In the mid-1990s a new Third Way program was promulgated in the United States under the Clinton presidency and in Great Britain under the leadership of Prime Minister Tony Blair and his adviser Anthony Giddens. By the close of the century this Third Way program, also called the "New Middle," had gained adherents in numerous countries around the world, from Brazil and New Zealand to South Africa, from Spain and Taiwan to Argentina and Japan. Now the Third Way no longer claimed to be a middle road between capitalism and socialism. Instead it was to be a middle road between the "right-wing" capitalism of the orthodox neoliberal model and the "left-wing" capitalism of the old Keynesian welfarist state model. In practice, this Third Way represented a minor reformist tinkering with global capitalism. It espoused a commitment to the full and unhindered development of the market, to private enterprise, continued capitalist globalization, labor market "flexibility" (deregulation and casualization), and "individual responsibility" (Newman and de Zoysa 2001). In these aspects the program was indistinguishable from neoliberalism. It reaffirmed the set of macroeconomic fiscal and monetary policies associated with neoliberalism, the withdrawal of the state from "economic issues" (state regulation of capital), and the continued rollback of the welfare state. The Third Way ideology did not question the premises of an ever more open and integrated global economy.

But these aspects were combined with a new emphasis on "social issues" and a quite liberal stance on these matters, emphasizing, in the best bourgeois tradition, equal opportunity, a new political culture of "market individualism," and local political decentralization. Social programs generating the "human capital" that high-tech-information capitalism requires, such as education and healthcare, were given a high profile, as was the creation of a "flexible labor mar-

ket." Third Way politicians placed unemployment, poverty, and inequality back on the economic policy agenda, although these were no longer to be tackled through state interventionist mechanisms. It also promoted "communitarianism" (a program that in essence called for local voluntary measures, "individual responsibility," and "compassion" to replace states' guarantee of the social welfare of communities), stockholding among workers and communities (where such resources for workers and the poor to acquire corporate stock was to come from not clear), and "prevention of social exclusion" (Newman and de Zoysa 2001), apparently through educational programs that would allow the marginalized to be "competitive" in the labor market. In sum, the Third Way was a center-right ideology, suited to the mildly reformist vision of the dissidents among the transnational elite (for a detailed critique, see Petras 2000). Not surprisingly, the Third Way ideology drew on the "new institutional economics" (it is no wonder that Stiglitz is also a leading economist from the new institutionalist school). If, in Frederick Jameson's (1984, 1991) famous assessment postmodernism is the "cultural logic" of late capitalism, the Third Way may turn out to be the emerging "political logic" of global capitalism, with its attendant forms of flexible accumulation.

Whether the "Third Way" would crystallize as an emergent political project of global capitalism was not clear in the early twenty-first century; it did appear to be eclipsed, at least momentarily, by the frenzied war drive in the wake of the events of September 11, 2001. But there are many scenarios for how a global neo-Keynesianism or regulatory regime could take hold. The concrete form of such a reformist project and how it may take hold are impossible to predict. Whatever replaces the orthodox neoliberal program will emerge not from a preplanned design but as the political outcome of the dynamics of struggle among diverse social forces and institutions around the world. The disintegration of the Washington consensus, the fragility of the world monetary system, and the limitations of "global governance" structures will be sources of growing tensions within the inner circles of the transnational elite and the TNS as they search for a formula to bring some regulatory order to the system.

However, the principal source of tension will be deciding how to avert the threat from below. It is not clear in the new epoch how the contradictions of global capitalism will be played out, in particular those of overaccumulation and worldwide social polarization. Continued change in global society will be shaped by ongoing conflicts among the summits of power as the dominant groups find it increasingly difficult to deal with economic shocks, maintain gov-

ernability, and assure social reproduction and recomposition of transnational civil society at the base and by the interplay of dominant and subordinate groups at the local and global levels. The contradictions of global capitalism and the tensions they generate within the globalist bloc certainly open up new opportunities for emancipatory projects from global labor and popular classes worldwide, but they also open up the prospects for other forms of contestation from outside the hegemonic bloc, not necessarily progressive or popular.

Whence a Global Counterhegemonic Movement?

What, then, are the prospects for counterhegemonic resistance to the globalist bloc? By the turn of the century the global capitalist order had begun to face a crisis of legitimacy. One survey in the United States found that 72 percent of the population felt that TNCs had too much power over their lives (Bello 2001, 6). With the spate of corporate scandals that broke out following the Enron debacle it indeed became difficult to distinguish the conduct of TNCs from that of organized crime groups. "Never before in the 33 years of the Forum has the situation in the world been as fragile, as complex, and as dangerous as this year," said Klaus Schwab in opening the 2003 annual meeting of the WEF in Davos, Switzerland (quoted in NACLA 2003, 7). Schwab was sounding the alarm for the transnational elite. He pointed to a Gallup International poll of 1.4 billion people in forty-seven countries, noting the massive decline in civic trust in national legislatures and large corporations. Global capitalism, as we have seen, has generated crises of social reproduction (survival) for countless millions of people. Expanding poverty, inequality, marginality, and deprivation are the dark underside of the global capitalist cornucopia so celebrated by the transnational elite. Mass social dislocation, evaporating social protection measures, declining real opportunities, and spiraling poverty and inequality sparked widespread yet often spontaneous and unorganized resistance around the world in the 1980s and 1990s, as epitomized in "IMF food riots" (Walton and Seddon 1994).

But everywhere there were also organized resistance movements, ranging from the Zapatistas in Mexico to the Assembly of the Poor in Thailand, Brazil's Landless People's Movement, India's National Alliance of People's Movements, the Korean Confederation of Trade Unions, Ecuador's National Confederation of Indigenous Organizations, and Via Campesina, with chapters in Asia and Latin America. Struggles around the world had local roots and circumstances, but they all seemed to form part of an expansive struggle against the disastrous structural inequalities and power imbalances of the global system. At a certain

point in the 1990s popular-resistance forces formed a critical mass, coalescing around an agenda for social justice, an "antiglobalization movement." By the turn of the century this revolt against global capitalism had placed the transnational elite on the defensive. A crisis of the system's legitimacy began to develop, and the prospects for a real counterhegemony could be imagined. The creation of the World Social Forum (WSF) in February 2001 by some twelve thousand representatives from several thousand popular social and revolutionary movements, political parties, and progressive nongovernmental organizations (NGOs), as well as intellectuals, social critics, and political activists, who gathered in Porto Alegre, Brazil, from around the world may represent the beginning of a global popular counterhegemony. The name World Social Forum was meant to emphasize the diametric opposition of this new movement to the World Economic Forum, the exclusive club of global corporate and political elites discussed in chapter 3, as expressed in the WSF motto, "Another world is possible." Porto Alegre II, held a year later, brought together some fifty thousand delegates representing thousands of movements and organizations, and it was followed in 2003 by Porto Alegre III, which drew a hundred thousand people from 150 countries.

The WSF lacked a coherent strategy for challenging global capitalism. The multitude of forces that it comprised were divided over numerous issues between those calling for reform of the system and those searching for ways to replace it altogether, between those emphasizing negotiation with global elites and those seeking mass mobilization and confrontation (Petras 2002). While the WSF should not be romanticized, it is worth quoting at some length the final declarations that came out of the Porto Alegre encounters. They reflect well the groundswell of conscious and organized resistance to global capitalism that began to coalesce in the late 1990s into a transnationally coordinated global justice movement and that posed a real ideological threat to global capitalism. From Porto Alegre I (2001), "Call for Mobilization":

> Social forces from around the world have gathered here at the World Social Forum in Porto Alegre. Unions and NGOs, movements and organizations, intellectuals and artists, together we are building a great alliance to create a new society, different from the dominant logic wherein the free-market and money are considered the only measure of worth. Davos represents the concentration of wealth, the globalization of poverty and the destruction of our earth. Porto Alegre represents hope that a new world is possible, where human beings and nature are the center of our concern.

> We are part of a movement which has grown since Seattle. We challenge the elite and their undemocratic processes, symbolized by the World Economic Forum in Davos. . . .
>
> We are women and men, farmers, workers, unemployed, professionals, students, blacks and indigenous peoples, coming from the South and from the North, committed to struggle for peoples' rights, freedom, security, employment and education. We are fighting against the hegemony of finance, the destruction of our cultures, the monopolization of knowledge, mass media, and communications, the degradation of nature, and the destruction of the quality of life by multinational corporations and antidemocratic policies. Participative democratic experiences—like that of Porto Alegre—show us that a concrete alternative is possible. We reaffirm the supremacy of human, ecological and social rights over the demands of finance and investors. (WSF 2001)

From Porto Alegre II (2002), "Call of Social Movements":

> In the face of continuing deterioration in the living conditions of people, we, social movements from all around the world, have come together in the tens of thousands at the second World Social Forum in Porto Alegre. We are here in spite of the attempts to break our solidarity. We come together again to continue our struggles against neoliberalism and war, to confirm the agreements of the last Forum and to reaffirm that another world is possible.
>
> We are diverse—women and men, adults and youth, indigenous peoples, rural and urban, workers and unemployed, homeless, the elderly, students, migrants, professionals, peoples of every creed, color and sexual orientation. The Expression of this diversity is our strength and the basis of our unity. We are a global solidarity movement, united in our determination to fight against the concentration of wealth, the proliferation of poverty and inequalities, and the destruction of our earth. We are living and constructing alternative systems, and using creative ways to promote them. We are building a large alliance from our struggles and resistance against a system based on sexism, racism and violence, which privileges the interests of capital and patriarchy over the needs and aspirations of people.
>
> The system produces a daily drama of women, children, and the elderly dying because of hunger, lack of health care and preventable diseases. Families are forced to leave their homes because of wars, the impact of 'big development,' landlessness and environmental disasters, unemployment, attacks on public services and the destruction of social solidarity. Both in the South and in the North, vibrant struggles and resistance to uphold the dignity of life are flourishing. (WSF 2002)

And from Porto Alegre III (2003), "Call of the World Social Movements":

> We are meeting in Porto Alegre in the shadow of a global crisis. The belligerent intentions of the United States government in its determination to launch a war on Iraq pose a grave threat to us all, and are a dramatic manifestation of the links between militarism and economic domination.
>
> At the same time, neoliberal globalization itself is in crisis: the threat of a global recession is ever present; corporate corruption scandals are daily news and expose the reality of capitalism. Social and economic inequalities are growing, threatening the social structures of our societies and cultures, our rights and our lives.
>
> The social movements are against militarization, the increase of military bases and state repression that create countless refugees and the criminalization of social movements and poor people. . . . War has become a structural and permanent part of global domination using military force to control people and strategic resources such as oil. The United States government and its allies are imposing war as a more and more common solution for resolving conflicts. . . .
>
> All this threatens our common future . . . we oppose this! (WSF 2003)

As early as 1996 the WEF set "sustaining globalization" as the central theme for its annual summit in Davos. Addressing the opening session of the 1999 meeting, WEF president Klaus Schwab warned, "If we do not invent ways to make globalization more inclusive, we have to face the prospect of a resurgence of the acute social confrontations of the past, magnified at the international level" (quoted in Rupert 2002, 16). By the post-Seattle, Porto Alegre period the discourse of the global elite had noticeably changed, from a stubborn triumphalism to one of compromise, dialogue, and compassion in an effort to recover lost legitimacy and regain the initiative. The effort included promulgating, under the auspices of U.N. Secretary General Kofi Annan, a "global compact" that would commit TNCs to the principles of labor rights and environmental sustainability and coopting organizations from grass-roots civil society through the creation of a corporate NGO "advisory committee." "Even George Soros admitted that the Global Compact was nothing more than a device to whitewash the corporate image," observed Walden Bello. "The idea is to project dialogue when in fact monologue governs and to gain legitimacy via the mere mention of 'consulting civil society'" (2001, 4).

Fundamental change in a social order becomes possible when an organic crisis occurs. An organic crisis is one in which the system faces both a structural (objective) crisis and a crisis of legitimacy or hegemony (subjective). An organic crisis is not enough to bring about fundamental, progressive change in a

social order; indeed, in the past it has led to social breakdown, authoritarianism, and fascism. A popular or revolutionary outcome to an organic crisis also requires that there be a viable alternative that is in hegemonic ascendance, that is, an alternative to the existing order that is viable and that is seen as viable and preferable by a majority of society. Global capitalism was not experiencing an organic crisis in the early twenty-first century. Nonetheless, I believe that the prospect for such a crisis to develop was more palpably on the horizon at the turn of the century than at any time since perhaps 1968.

The September 11, 2001, attack on the World Trade Center allowed the U.S. state and the transnational elite to reverse, at least momentarily, the process of delegitimation that is the necessary condition for a counterhegemonic project. Led by the U.S. state, the transnational elite regained the offensive. The regime of George W. Bush (a rogue state by any objective standards) appears, as I write in summer 2003, to be a fanatical regime seeking to stabilize the system through military force, to defy world public opinion, to turn its back on any reason, negotiation, or accommodation with those who have legitimate grievances and without whose active participation the crisis of global capitalism would only worsen and conflicts would only become more deadly. Indeed in the post-9/11 period the military dimension appears to exercise an overdetermining influence in the reconfiguration of global politics. A globalized military order points to the further supersession of the Westphalia order. The doctrine of preemptive war may be the most blatant attempt yet to impose a postsovereignty norm in global affairs. However, as I have suggested throughout this study, the Bush Doctrine may be less a campaign for U.S. hegemony per se than a contradictory political response to the crisis of global capitalism—to economic stagnation, legitimation problems, and the rise of counterhegemonic forces.

But the "new war order" could not resolve the tensions and contradictions of the global capitalist system and in fact was likely to aggravate them.[1] There is no certainty that the globalist bloc will hold together rather than being torn apart at the seams under the pressure of conflicts internal to it and by forces opposed to its logic. We may well be seeing the opening salvos of a deeper restructuring crisis, a crisis that will eventually be resolved through a major re-

[1]A number of my colleagues from the Amsterdam-based Transnational Institute and I formed a "global crisis working group" in early 2001 under the auspices of the institute to analyze collectively the escalating crisis of global capitalism. Group member Alan Freeman coined the term *new war order* to describe what we see emerging.

structuring of the system. Out of a restructuring crisis may come a reassertion of productive over financial capital in the global economy and a global redistributive project. Perhaps the more reformist (as opposed to radical) wing of the WSF will join with the more reformist (as opposed to conservative) wing of the WEF to push such a project. Or we might see the rise of a global fascism founded on military spending and wars to contain the downtrodden and the unrepented. Will there be a predatory degeneration of civilization if neither forces from above nor those from below are able to bring about a resolution of crises and conflicts? Historical outcomes are not predetermined; they are always open-ended, subject to contingency and to being pushed in new and unforeseen directions. The crisis in no way guarantees the ascendancy of popular oppositional forces. It would be foolish to predict the outcome of the looming crisis of global capitalism.

Contested Hegemonies and Uncertain Futures

Challenges to the hegemony of the globalist bloc come from the antiglobalist far right; progressive elites and nationalist groups in Third World countries, such as the populist Venezuelan president Hugo Chavez; and popular sectors worldwide, as expressed in the rise of a global justice movement (usually referred to, not entirely accurately, as the antiglobalization movement).

The antiglobalist far right was able to capitalize in numerous countries on the insecurities of the working and middle classes in the face of rapidly changing circumstances to mobilize a reactionary bloc. The far right drew in particular on the insecurities of those sectors formerly privileged within national social structures of accumulation, such as white workers, family farm sectors, middle and professional strata facing deskilling and downward mobility, and national fractions of capital threatened by globalization. Pat Buchanan in the United States, Joerg Haider in Austria, the One Nation party in Australia, Jean-Marie Le Pen's National Front in France, racist skinheads in Germany, and so on, epitomize the rise of this reactionary bloc. It is certainly possible that some reactionary forces become drawn into the globalist bloc and may even act in some instances as shock troops for the transnational elite agenda.

Progressive elites also drew on insecurities of vulnerable sectors but articulated a progressive vision, distinct from the vision of the far right. In this category also were elites from certain countries and regions that had not been fully drawn into the global economy or were being integrated into it in a way that was structurally distinct from that of national contingents of the TCC in most

countries and regions. Here China and Russia and perhaps India stood out. Political projects that emerge could well be projects of cooptation or accommodation with the globalist bloc or heightened conflict with it.

In the closing years of the twentieth century popular resistance movements and forces began to coalesce around an anti-neoliberal agenda for social justice, epitomized in the Seattle protest of late 1999 and the Porto Alegre encounters of the early twenty-first century.

A counter hegemonic impulse could come from any of these sectors, or from a combination of them, in ways that cannot be anticipated. Clearly the counterhegemonic discourse of the global justice movement was in ascendance in the late twentieth century. We stand at a crossroad in the early twenty-first century. Given the prospects of a global police state, why are the abstract theoretical debates such as those I have taken up in this book important? At times of great social transformation established social theories are called into question, and new ones proliferate to give explanation to rapidly changing realities. And at times of great social crisis such as the one that we apparently faced in the early-twenty-first-century global society, sound theoretical understandings are crucial if we hope to intervene effectively in reality and assure our survival in these dangerous times. An accurate reading of the nature of global capitalism is essential for the struggle to resist its depredations, and it is as much, or more so, a political undertaking as an intellectual one.

A "Long March" through Civil Society and Contesting the TNS

Any theory of historical change must address the questions how alternative projects arise, how resistance is articulated, and how dominant structures are subverted. Theories of capitalist hegemony are incomplete without corresponding theories of counterhegemony. The globalist bloc, I have argued, achieved hegemony in the late twentieth century because it came to exercise a commanding influence over material life around the world, including the ability to provide rewards and impose sanctions, and because it achieved an ideological dominance. Any counterhegemony would have to subvert this ideological dominance by developing both an alternative ideology and a viable alternative program to global capitalism. Both these elements of a counterhegemony are predicated on collective struggle against the structures and power centers of global capitalism.

Gramsci distinguished between two types of political struggle: a *war of maneuver* (frontal attack) and a *war of position* (struggle of trench warfare or of

attrition). A war of maneuver, associated with the traditional notions of revolution, has the potential to succeed when the power that sustains the existing system is situated in a limited number of identifiable sites, such as the police, the military, and so on. But the expansion of the state into new "private" and community realms under capitalism that Gramsci theorized and the rise of a civil society in which the power of the dominant groups is anchored in ideological and cultural processes imply that power is more dispersed and multidimensional than prior to the full development of capitalism and less limited than in earlier periods to a number of identifiable sites. Dictatorships and entrenched military regimes are identifiable sites of oppression, and the struggle against these modes of political domination opened the way for revolutionary movements in the twentieth century to wage wars of maneuver. But new modes of political domination associated with globalization are leading to a more "thorough" (dispersed) exercise of power in global society—what Michael Hardt and Antonio Negri (2000) seem to be getting at with their notion of global capitalism as an empire with no center. Social conflicts linked to the reorganization of the world economy will lie at the heart of world politics in the twenty-first century. The challenge is how to reconstruct the social power of the popular classes worldwide in an era in which such power is not mediated and organized through the nation state.

The changes that have taken place worldwide since the previous crisis of authority, in the late 1960s and early 1970s, and that paved the way for the current period of globalization allowed the dominant groups in global society to reconstitute and consolidate their control over *political society* in many countries and regions around the world. But the new round of popular-class mobilization and of organized resistance to the depredations of global capitalism in the 1990s and early twenty-first century pointed to the inability of ruling groups to sustain hegemony in *civil society*. Grass-roots social movements and cultures of resistance have flourished in global civil society at a time when the organized left operating in political society has been unable to articulate a counterhegemonic alternative despite its continued vitality. Programs put forward by the organized left were generally restricted to strategies of state intervention in the sphere of circulation to achieve limited internal redistribution while respecting the prevailing structure of property and wealth and global market integration. But social movements and localized oppositional forces are too partial to mount a hegemonic challenge or to contest the systemic logic of transnational capital and its power, which reveals the fundamental contradic-

tion between the global concentration of power and wealth and the diverse but decentralized forms of resistance to global capitalism that sprung up in the late twentieth century. Notwithstanding postmodernists' fragmented "politics of difference" and rejection of "grand narratives," a vision of transformation that departs from the social totality and a renovated left are central conditions for the development of a counterhegemonic project.

The challenge for popular social movements is discovering how to fuse political with social struggles through the development of political instruments that can extend to political society (the state) the counterhegemonic space currently being opened up in civil society through mass mobilization. Popular classes have nothing to gain by limiting their struggles to local and isolated "sites" of oppression and forsaking the development of a larger project of transformation. But the prospects for a viable resistance and a counterhegemony are fundamentally dependent, in my view, on the ability of social movements and popular forces to transnationalize their struggles, which would involve as well the development of a transnational class consciousness. Indeed, popular forces *have* been developing a transnationalism from below that has gathered momentum and increasing coherence, as we saw earlier, and a burgeoning literature exists on transnational popular networks and social movements (see, e.g., Cohen and Rai 2000; and Keck and Sikkink 1998). The global networks and infrastructures put into place to facilitate global capital accumulation and the coordinated worldwide activities of dominant sectors also provide an organizational and technological infrastructure for transnational networks from below. Globalization turns the whole world into one giant zone of contestation. Local and global struggles may be linked through transnational alliances that set specific goals of establishing protective buffers against global capital, such as minimum wages in the *maquiladoras*, the restoration of local social programs, and so forth (see, e.g., diverse entries in Broad 2002; Evans 2000; and Robinson 2003b).

Should the strategy be to constrain the power of global elites or to overthrow the system of global capitalism? These objectives are not incompatible; indeed, it is most likely that struggles to constrain this power bring onto the horizon the possibility of an alternative system. It is similarly clear that strategies of forcing local change and forcing global change are mutually reinforcing and dependent on each other. They must be twin dimensions of a counterhegemony. "Some activists are turning the old aphorism 'think globally and act locally' around," observes Peter Evans. "They are 'thinking locally' in worrying about

how to solve problems that manifest themselves at the local level, but 'acting globally' in building transnational networks and campaigns that use extra-local political leverage to make local improvements possible. . . . Trying to think more systematically about what can be accomplished by 'acting globally' and how it might be most effectively accomplished should be a priority" (Evans 2000, 231).[2]

Varying degrees of ungovernability and crises of legitimacy characterize country after country in many parts of global society as the dominant groups find it increasingly difficult to maintain governability and assure social reproduction. The crisis and eventual collapse of neoliberal program may create the conditions favorable to winning nation-state power and promoting a nation-state-based alternative. It is not clear, however, how effective national alternatives can be in transforming social structures, given the ability of transnational capital to utilize its structural power to impose its project even on states that are captured by forces adverse to that project. The real prospect for counterhegemonic social change in the age of globalization is a globalization-from-below movement that seeks to challenge the power of the global elite by accumulating counterhegemonic forces beyond national and regional borders, to challenge that power from within an expanding transnational civil society. A war of position—Gramsci's "long march" through (transnational) civil society—appears to be well under way in the twenty-first century as popular sectors accumulate forces and devise the organizational and programmatic basis for an alternative to global capitalism. This is not to say that forces of popular opposition have refrained, or should refrain, from mobilizing against states or to forsake the struggle to win state power. To the contrary, the state must be engaged as a relation that can be transformed. *The TNS must become a contested site.*

The hope of humanity lies with a measure of transnational social governance over the process of global production and reproduction, the first step in effecting a radical redistribution of wealth and power to poor majorities. Achieving such an outcome necessarily involves challenging the *power* of the

[2]Elsewhere I have argued that a counterhegemonic movement requires organic intellectuals dedicated to placing their theoretical and professional training at the disposal of the popular classes and their struggles. I have called for a critical globalization studies as intellectual labor linked to the social struggles of the twenty-first century (Robinson 2002c, 2003a, 2003b). This is something akin to what Connell (2000) means by a "critical science of world society," "intellectual projects that concern themselves with what lies beneath, beside, and beyond the market" (294). The particular form that these projects must take, says Connell, "is defined by the world scale of contemporary market society—which distinguishes them from the 'critical theory' or 'critical sociology' of earlier generations. It is now a question of analyzing a market society whose formation includes the whole history of imperialism, and whose structure now includes world-embracing systems of power, communication, and exploitation" (295).

ruling groups. Political confrontation is inevitable. I agree with Peter McLaren that the primary initiative for global production must be to redirect sustainable resource flows toward the poor majority and to reduce the per capita resource consumption of the minority of high-income, high-consumption groups in global society. This means, ultimately, that the logic of capital accumulation, the organization of global society to generate endless profit for transnational capital, must be replaced by the logic of meeting human needs—the logic of the poor, laboring majority of humanity.

This *democratization of global society* can only be accomplished by wresting from transnational capital and its agents their control over the material and cultural resources of humanity and the enormous power that control brings. I do not offer here the solution to the crisis of global capitalism and the perils that it represents for humanity, from never-ending wars to mass immiseration and ecological holocaust. Marx once noted that "frequently the only possible answer is a critique of the question and the only solution is to negate the question" (quoted in Aguirre Munoz 2001, 147). I concur with Marx insofar as in the end the only solution is to supersede capitalism ("negate the question"), and I agree with McLaren that this requires a struggle for both formal and substantive democracy in global society (in Aguirre Munoz 2001, 147–48). It is worth reiterating, by way of conclusion, what I have consistently argued elsewhere (e.g., Robinson 1996b): a democratic socialism founded on a popular democracy may be humanity's "last, best," and perhaps only hope. A global counterhegemonic struggle *against* transnational capital has to become a global struggle *for* a democratic socialist alternative.

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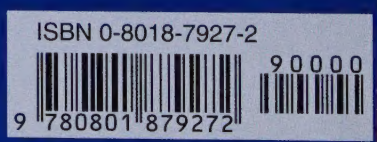

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